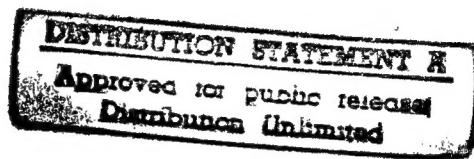


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Macedonian Issue, Bulgarian Involvement Discussed

91ES1138A Athens TO VIMA TIS KIRIAKIS in Greek
15 Sep 91 p A27

[Article by N. Marakis: "They Also Want Thessaloniki"]

[Text] Last Sunday, in a referendum that confirmed the prospects for independence, the Skopje Republic decided to follow the road that Slovenia and Croatia have taken. At the same time, it has created the initial preconditions for a crisis that will not be limited internally to Yugoslavia, but will involve all the Balkan countries.

TO VIMA has been informed by reliable West European diplomatic sources that the rulers of Skopje are at this moment engaged in a dialog with Sofia and Ankara on advancing the creation of a new state with the name of "Greater Macedonia". In this state, according to the plans under discussion, Skopje will be the political capital, and Thessaloniki will be the economic capital. The architects of the agreement under discussion aspire to grant Greek Macedonia, as well as certain areas that now belong to Bulgaria, to the new state. Mr. Stojan Antov, the president of the Skopje parliament, visited Thessaloniki harbor last Monday, and made statements that substantially established a position for first publicly formulating those claims.

Mr. Kiro Gligorov, president of Skopje, was the first to ask for Ankara's support for the creation of the new state, during his visit there at the beginning of August. At the end of his visit, Mr. Turgut Ozal publicly confirmed Turkey's decision to guarantee the independence of Skopje. In addition, Mr. Gligorov is the protagonist in the attempt, on the same basis, for a rapprochement with Mr. Zeliu Zelev, president of Bulgaria. Mr. Ljubso Georgievski, vice president of Skopje and leader of the most aggressive ethnic party, the VMRO [expansion not given], is acting along similar lines, but with greater crudeness and rashness.

Skopje's plan of expansion toward the south, and the annexation of Thessaloniki on its own behalf consists in reality of an updated version of the Bled agreement of 1946. What is new is the support that Ankara is contributing to these designs.

The Skopje government is intensly seeking out support for its expansionist policies from all countries. However, the United States is a vital link for the success of its endeavors. For that reason it has hired the public relations firm of Hill and Knowlton, so that it can organize the strongest possible lobby in Congress in conjunction with various controlled "Macedonian" organizations. This firm organized the recent visit to Washington of Mr. Denko Maleski, the foreign minister of Skopje. During that visit, Mr. Maleski met with—among others—Mr. Lawrence Eagleberger, the U.S. undersecretary of state, for about one hour.

At this time in the United States, the annual report on the state of human rights around the world is being prepared. After his meeting with Mr. Eagleberger, Mr. Maleski announced that the report is concerned less with Greece and more with Yugoslavia. At the same time, the American diplomat responsible for editing the report told a Greek colleague that he should not worry because the report is not chiefly concerned with Macedonia, but with Western Thrace!

As a result of developments in Skopje, a very quick rise in nationalist fever has been observed in Sofia. The Union of Democratic forces, which has the support of 40 percent of the electorate according to polls, announced that "close relations between Bulgaria and Macedonia, as the result of the historic and cultural ties among the populations on both sides of the border," are imperative. The Socialist Party, that is, the former Communist Party, after noting that no territorial claims should be made, expressed appreciation for the fact that Bulgaria and Skopje constitute one "social, economic, cultural, and intellectual area". At the same time, Sofia reaffirmed its position that it will recognize the Skopje state, and that it considers the majority of its inhabitants to be Bulgarians.

The marked rapprochement between certain Bulgarian political forces and Turkey has also proceeded at a like speed. A reliable barometer for relations between Sofia and Ankara is the situation with the Turkish party, which is controlled by Ankara, and which recently applied for official recognition with Bulgarian authorities.

Last Wednesday, the Supreme Court issued a decision which upheld a lower court ruling characterizing the goals of the Turkish party as contrary to the Bulgarian constitution, and banning it from participating in elections. At the same time, however, this case—according to information TO VIMA has received—is the reason a complete falling-out between President Zelev and Prime Minister Dimitar Popov has become final. The president's circle characterized Mr. Popov as a "spent force whose political life will expire on election day." Mr. Zelev's advisors do not hesitate to attribute the banning of the Turkish party to a "dirty conspiracy between Mr. Popov and the Communists, who control the judicial system". Turkish diplomats in Sofia expressed similar views without hiding their tendency to use threats. The Turks' hostility toward the Bulgarian prime minister is no coincidence: it arises in reaction to his insistence on viewing Turkey as the number one danger to his country.

In any case, the president of Bulgaria finally found a way for representatives of the Turkish party to participate in elections; the Central Elections Committee, which is under his control, legalized it.

Mr. Zelev's stance was, by and large, the result of the intervention of the American Embassy in Sofia. According to the verified information that TO VIMA

has, American diplomats made friendly advances both toward the president of Bulgaria, and toward Mr. Todorov, the president of the Bulgarian parliament, and insisted on the participation of the Turkish party in elections. In addition, the Turkish prime minister, Mr. Mesut Yilmaz, sent a letter to Mr. Zelev directly tying the entire development of Turkish-Bulgarian relations to the recognition of the Turkish party. Finally, they brought about the result they desired.

Mr. Popov is criticized by the Bulgarian president for his decision to respond favorably to Mr. Mitsotakis's invitation to a tripartite meeting—this coming Thursday, in Athens—in which Mr. Milosevic, the president of Serbia, will participate. Mr. Zelev's advisors even communicated the question to Athens, "Why would Mistotakis want to meet with those two 'relics'?"

The difficulties that Mr. Popov has encountered as a consequence of his stance vis-a-vis Ankara can also be seen by the Bulgarian Ministry of Foreign Affairs distancing itself from him. With respect to the tripartite meeting, sources within the Foreign Ministry state that this is entirely the Bulgarian prime minister's project, while it itself has absolutely no relation or involvement. The larger problem for Mr. Popov's critics is not of course with the meeting as such, but that it includes as

one of its most important topics the developments in Yugoslavia, and, clearly, the developments in Skopje.

Nevertheless, a sharp ear can pick out the new political elite around Mr. Zelev, which chiefly controls Bulgarian foreign policy toward Ankara. It was very impressed by the Turkish proposal (which was put forward two months ago during the visit of Bulgaria's general chief of staff to Ankara) for the sale of weapons, based on American technology, by Turkey to Bulgaria. Foreign Minister Viktor Volkov appeared in Istanbul two times within three months. Moreover, Turkey's suggestion for the creation of a large Bulgarian merchant fleet, along with generous economic support, is being seriously considered.

Mr. Yilmaz, on his part, will take the necessary steps to improve the climate. He has assured Sofya that he will grant it a significant part of the \$4.5 billion war reimbursement that the United States will pay Turkey as a reward for its participation in the Gulf War. Turkish banks speedily advanced credit for \$100 million, which Ankara presented in June, and which Bulgaria has already made heavy use of. (At this point we should note that Mitsotakis's promise, in January, of credit totalling \$50 million has still not been realized, and no one knows why!) At this time, trade with Turkey is in second place on the list of foreign trade, and it is increasing rapidly.

Legislative Priorities, Problems Described
91CH0930B Budapest HETI VILAGGAZDASAG in Hungarian 7 Sep 91 p 6

[Unattributed article: "Fall Schedule"]

[Text] "Economic tasks have priority, irrespective of how important it would be to modernize the state structure," Prime Minister Jozsef Antall wrote in his 26 August letter to National Assembly President Gyorgy Szabad, once again justifying a cabinet decision not to submit legislative proposals that aim for changing the state structure. Next year's budget and related submissions take first place in the government's "order of priorities" among laws to be enacted this year. Legislative proposals needed for the establishment of a market economy take second place, including proposals for bankruptcy proceedings, investment funds, financial institutions, the Hungarian National Bank [MNB], the state household, associations, and social security.

Although it has been frequently charged that the development of legal foundations for the market economy was hindered by the slowness of the National Assembly, observers of parliament claim that the real reason for the delay was that the government had failed to submit the legislative proposals on time. Several representatives claim that there hardly exists a parliament in the world which takes off for summer vacation with a "backlog" of no more than a month. The only legislative proposals from among the "pivotal" economic proposals left over for parliament's fall session were those submitted by the government in the middle of June to a House that held its last session prior to its summer recess on 12 July. These include the legislative proposals on the state household, the autonomous functioning of social security, the MNB, financial institutions, investments funds and associations. Essentially, only two and a half months are available for the enactment of these proposals into law, because after the middle of November the National Assembly is unlikely to be able to deal with anything else but next year's state and social security budgets, and the four "big tax laws" (personal property tax, corporate income tax, consumption tax, and general sales taxes) which as of now do not exist even in the form of legislative proposals. The most recent "proposed schedule" advanced by the government on 26 August essentially surrenders the idea of enacting legislation regarded as important in the government program, including legislation concerning privatization, land, Treasury assets, the operation of the state's entrepreneurial assets or social welfare provisions. The land tax law, the new Labor Law, the additional compensation law (to indemnify persons persecuted on political grounds or who had suffered unjust property damages prior to 1949), the telecommunication and frequency [allocation] law, the health care, higher education, public education, housing, statistics, foreign exchange, and customs laws will be left for subsequent years. On the other hand, the list of laws to be enacted now includes legislation concerning the

termination of CEMA, the world exposition, the maintenance of vital records and taxes on motorized vehicles, the adoption of property policy guidelines, as well as amendments to the employment law that had been enacted only a few months ago.

Observers believe that the number and weight of legislation originally included in the program could not have been enacted even if the first six months had not been lost in the absence of legislative proposals submitted by the government. Even in this way quantity has a detrimental effect on quality. For example, the National Assembly made a glaring mistake when it forgot to adjust the appropriate provision of the law governing foreign investments in Hungary to the amendments to the profit tax law: The budget suffered a loss of about half a billion forints as a result. Indications are that the "low cost" operation of parliament without an expert staff in reality turns out to be a costly game, but developing a parliamentary staff would supposedly augment the already growing unpopularity of that institution.

Many feel that it would be worth pondering whether parliament's "theatrical" character should be maintained; this rules out possibilities like for instance letting members of the cultural committee deal with their own functions while they are forced to be bored in the course of a plenary session debating the law on medical officers. British and French representatives visiting parliament made outright statements to effect that no parliament could be serious about its job if more than 5 percent (!) of the members regularly took part in the sessions. In contrast, unaware of the fact that the ratio of conscientious representatives within the frequently absent representatives is at least not lower than among those who sit through sessions lasting a day and a half each week, the public even regards today's 60-70 percent attendance rate as too low.

'Cadre Bank' Postponed; Cabinet Staff Size Given
92CH0040A Budapest FIGYELO in Hungarian 12 Sep 91 p 4

[Interview with Jozsef Kajdi, Office of the Prime Minister state secretary, by B.J.; place and date not given: "Cadre Bank Postponed"]

[Text] Newspapers reported early this summer that the government was planning to establish a cadre bank to relieve central administration concerns about the availability of professional staff. We asked Office of the Prime Minister State Secretary Jozsef Kajdi where his office stood with adding names to the data bank.

[Kajdi] Nowhere. The plan scared both the ministries and potential applicants, and in retrospect I must admit that they unfortunately were correct. They viewed this gesture as the revival of the old party state method and we had to realize that the government could not assume responsibility for the possibility of turning persons on the list into black sheep later, just because they had offered their services to this administration.

[B.J.] Where did the idea come from if this amounts to cadre development, which sounds bad these days, even if not to something reminiscent of the party state?

[Kajdi] As soon as the new central administration became established we learned abroad that cadre development plans also existed in democracies that were more developed than ours. In London, I saw a roster of persons who could be considered for positions all the way to the year 2010. Their continued education also proceeds according to plans and the program under which these persons are sent abroad for several years of stay, enabling them to familiarize themselves with the governmental practices of partner countries, also produces results. Accordingly, this plan must not be regarded as a socialist vestige. For this reason we, too, should establish a roster like this, a list of persons willing to work for an extended period of time in central administration—complete with their ages and career paths—despite the fact that working for the government does not really pay, except perhaps for the youngest of people.

The need for a roster like this is also proven in real life situations; the various ministries seek suitable professionals to fill very many places. Many people had left government service when the new government was formed; they did so in part as a result of an advance fear and in part due to political convictions. I must add here that in all these instances the people left for a much higher pay. It is difficult to replace good professionals under such circumstances.

The cabinet has once again reviewed this issue and decided to remove the idea of establishing a cadre bank from the agenda. I, on the other hand, did not give up with the idea; we will raise this issue once again in six months or a year, because I am convinced that public management can also be adjusted to market economy conditions by having a small but well-paid staff. It would be impermissible to have an untalented, low-paid staff prepare bad legislative proposals.

[B.J.] Rumors are that the staff has increased in size to an unprecedented level. So, what is the truth?

[Kajdi] I do not know where these rumors come from. The total central administrative staff size is smaller, and even in the Office of the Prime Minister the number of persons is the same as it was during the days of the Nemeth government. As of 1 January 1990 there were 526 employees, today there are 530. This includes everyone, including the 28 who went on to receive child care benefits from the Central People's Control Committee [KNEB] and from the Workers Guard. Accordingly, there are 500 of us, 300 of whom work at the business office, in superintendent jobs, maintenance, welfare institutions, two restaurants, and in the garage. Thus only 200 people assist in the work of the prime minister and the cabinet, including secretaries and messengers. There are 48 government chief counselors and

the number of state leaders—from deputy state secretaries on up—is 22. The cabinet, including six ministers without portfolio, consists of 20 persons. The British cabinet has more than 80 members. And this difference cannot be explained by a difference in the size of the two countries.

Slow Legislative Process Impedes Economic Reform

91CH0930A Budapest HETI VILAGGAZDASAG in Hungarian 7 Sep 91 pp 5-7

[Article by Aniko Szanto: "Laws About Finances—State Household Deform"—headline is play on words]

[Text] An economic system change is not likely to materialize this year either, even though one "half"—the monetary half—of financial management in Hungary may change into something like that in real market economies, provided that parliament enacts during its fall session a law sanctioning the central bank's relative independence and a code for financial institutions. But the other "half" of financial management—the 1992 budget, which defines fiscal policy—is just as oversized as previous budgets had been.

"I am the one who writes the script in Hungary," Finance Minister Mihaly Kupa said the other day on TV. To support his statement, he presented two financial legislative proposals to representatives who had just returned from their summer vacations: the state household budget law providing rules for fiscal management (HETI VILAGGAZDASAG [HVG] 1 June) and the Hungarian National Bank [MNB] code of laws concerning the monetary policies of the institution that has become independent from the cabinet and reports to the National Assembly. Both laws were deemed to have economic history-making significance. At the same time, Minister Without Portfolio Katalin Botos reported a legislative proposal regarding the functioning of financial institutions.

Opposition parties and a few Smallholders Party [FKgP] leaders blamed the government for waiting half a year—until the opening of parliament's special fall session—before beginning to "roll" the motion picture play entitled "The Kupa Program," which promised to develop an institutional system for the social market economy this year. The government is being blamed, even though Hungarian Democratic Forum [MDF] circles regard the Compensation and Church Property Laws as fundamental economic laws because they established foundations for stable ownership conditions.

Compared to this retrospective view of legislation, Alliance of Free Democrats [SZDSZ] Representative Gyula Gaal regarded three financial laws on parliament's agenda last week as a radical change. Gaal claimed that these laws, together with a fourth law concerning investment funds to be debated in the near future, "are meant to develop a new economic institutional structure." Gaal also regarded the intent of the state household budget

legislation as promising, despite his belief that this legislative proposal should have been introduced only after a reinterpretation of the state's functions.

Finance Minister Mihaly Kupa, on the other hand, believes that establishing "a legal system governing the household of the modern state" is urgently needed, because while the so-called state household (the central budget, the social security budget, local government budgets, and segregated state funds) collects and consumes 63 percent of the income generated by the national economy according to available official data, public laws that provide for the redistribution of income by the state remain unsettled. The state budget manages the otherwise tight resources wastefully, and just as the information system that reports on the national economy, the state financial information system is also about to collapse. At the same time, taxpayers have a just expectation to know why they must surrender their income, what their income is being used for, and who makes the related decisions and how. Taxpayers also have a just demand in wanting to see an accounting system that gives answers to all these questions.

But the legislative proposal has failed to provide for an appropriate information system, it only described the principles of such a system. The fact that public officials endeavor to monopolize information and to have rules subject to their exclusive discretion, thus rendering these rules unpredictable, has been known ever since Parkinson discovered this truth. For this reason Federation of Young Democrats [FIDESZ] spokeswoman Klara Ungar suggested to the National Assembly that in a manner similar to the accounting law, the order of bank accounts and the funding systems of the central budget also be prescribed by law rather than by the finance minister, as that is provided for in the present legislative proposal. Most likely, even more than that would be needed: The information system for the state household should be provided for in a supplement to the law in order to avoid situations in which the finance minister must explain each year whether an investment of the size of Gabcikovo-Nagymaros had been part of the central budget data for a given year and whether payment had been effected in that year.

In contrast, many regard as too little the fact that the legislative proposal concerning the state household contains mostly jurisdictional and procedural rules, and rules pertaining to the information system. They claim that budget reform announced years ago promised no less than a radical containment of the state and its withdrawal primarily from the economy. The finance minister claims that the need for state household reform has been "vacated" primarily by the system change that rendered unnecessary the inclusion of those provisions into the state household budget law which could be provided for in the Constitution or in the local government law.

A concern voiced earlier by reform communists according to which revenue reform—i.e., tax reform—is

failing to keep in step with expenditure reform continues to be valid to this day. As of now, Mihaly Kupa, who regards himself the first responsible finance minister since Kossuth, has also failed in the unpopular attempt to tighten the scope of state financing, just as his predecessors, (not responsible) finance ministers Peter Medgyessy, Miklos Villanyi, and Laszlo Bekesi, did. Consequently the 1992 budget preparation is also proceeding in the usual manner: Revenues and expenditures are adjusted to deficit figures given in advance. Plans presumably call for a \$500 million deficit in the 1992 international balance of payments as compared to this year's \$1.5 billion, while the permissible maximum budget deficit level is 70 billion forints, less than the 78 billion forint level that had been projected for 1991.

Even though this is the first year in which the cabinet is legally obligated to present to the House the principles of next year's budget by 31 August, at a meeting last week ministers were unable to reach a publicly presentable compromise. All signs indicate that Mihaly Kupa, who is reforming the state household, is going to be forced to submit to the House a 1992 budget with a structure similar to that of 1991, even though he had claimed upon his appointment last December that "a budget like this, i.e., the 1991 budget, will not be placed before parliament if I am still the finance minister next year, and I surely am going to be the finance minister at that time." (HVG 5 January).

The finance minister's colleagues, on the other hand, probably surmised that the 1992 budget would not be a reform budget either and therefore insisted on including a provision in the legislative proposal governing the state household to the effect that the budget law that prevails in any given year determine the extent to which the MNB is authorized to finance the budget deficit. For this reason, in contrast to long term endeavors, the MNB law established a central bank obligation for 1992 to provide unlimited financing for the deficit to be incurred by the state coffers. In the ensuing three years, however, the growth of the volume of credit granted to the central budget must not exceed on any given day of the year 5, 4, and 3 percent respectively of the revenues scheduled in the central budget.

"The fundamental reason for an independent monetary policy is that under public pressure the government and even representatives in parliament are interested in spending as much as possible, and therefore there is a need for an independent institution—the central bank—to watch over the financial balance, based on authority acquired from society. The government and the central bank are adjunct institutions which must conduct constant dialogue," according to Alexander von Lamfalussy, the president of the Bank for International Payments [BIS] of Hungarian origin in a presentation before members of the National Assembly Economic Committee. Lamfalussy regarded the projected extent of restricting the central bank financing of the budget deficit as insufficient, claiming that "the sole and exclusive pattern that could be accepted on an international scale

would demand that Hungary, too, try to supplement its state budget deficits by borrowing from the capital market, even if it might be capable of fully realizing this goal only ten years hence."

The central bank's relative independence from the government has been agreed upon in mid-1990 by Prime Minister Jozsef Antall and the then-appointed central bank chief Gyorgy Suranyi, so that the present law would only sanction a practice which last year resulted in successful MNB operations, according to views generally expressed by experts.

They did not succeed in taking a single step in the direction of restricting the role of the state, however. To the contrary. Although based on a legislative proposal developed not too long after Gyorgy Suranyi's appointment, the president of the central bank would have been authorized to make recommendations for the appointment of leading MNB officials, the proposal discussed the other day would assign the exercise of this authority to the prime minister. (Incidentally, the member of cabinet overseeing the Banking Supervisory Authority could recommend the appointment of even the president and the two deputy presidents of the Banking Supervisory Authority only after seeking the views of the MNB president.)

Nevertheless the legislative proposal on the central bank is a result of a compromise reached between the government and the MNB, and presumably, both sides are satisfied. Although Gyorgy Suranyi, the incumbent president of the central bank, claims that the new legislative proposal "represents a pronounced step in the direction of a central bank independent from fiscal policies," one can tell that the government remains the master. This is also true from a formal standpoint, since the central bank operating in the form of a special stock corporation is owned exclusively by the state which in turn is represented by the finance minister who is authorized to determine the size of capital stock and the extent of state contributions at any given time. From a substantive standpoint the same is suggested by the proposal according to which "the MNB is obligated to inform the cabinet at least 15 days prior to any planned change in the basic interest rate," a provision which decreases the effectiveness of such measures without providing any advantage to the government.

Experts and banking professionals also cite other examples in the financial legislative proposals that suggest that statists constantly continue to include new episodes in the fundamentally liberal script of the Kupa program. The minister without portfolio for example "established" for herself a quasi ministry for banking by providing that the State Banking Supervision she supervised not only oversee the legality of action but also receive authorization to promulgate mandatory rules at any time regarding, for example, criteria for qualifying receivables held by banks and for solvency. The Association of Banks also asked parliament not to grant special benefits to the state particularly during the period of

privatization: Similar to owners other than financial institutions, the state should not exercise control to an extent greater than 25 percent in individual commercial banks. These and similar requests were presumably received by deaf ears, even though a majority of the representatives most certainly agreed "in principle" that excessive state management and the yearned-for market economy were mutually exclusive concepts.

Private-Sector Financing Problems Discussed

*92CH0051B Budapest FIGYELO in Hungarian
5 Sep 91 pp 1, 28*

[Interview with Istvan Szalkai, banking expert and adviser to the Bankers' Training Center, by FIGYELO editor in chief Gyorgy Varga; place and date not given: "Private Enterprising—It Does Not Work Without the State"]

[Text] The banking system of today was established in 1987 to finance the state sector and the large cooperative sector. Its present structure is hardly suited to service the private sector, which presents special money market and capital market requirements. The history of the START loan program, among other programs, proves that this assessment is correct. What could and should be done to change the present situation, we asked Istvan Szalkai, the noted banking expert and adviser to the Bankers' Training Center.

[Szalkai] Let us start with the stereotype according to which the decline of the state sector and the growth of the private sector are characteristic features in our days. This process would presume no obstacles in the path of the upward striving sector of the future. This sector needs initial or startup capital that is not available to starting enterprises, and during its growth period it also requires additional developmental capital. And it also requires the continuous financing of operating capital. These three types of finances are based on a presumption that various borrowing opportunities and various kinds of financial institutions exist. Unfortunately, the present banking system is unable to provide this varied technique or to support these requirements established by investors. At best it is able to fulfill only a small part of these requirements.

[Varga] As long as we have recognized this void, why are we not taking more decisive steps to establish the appropriate institutional system?

[Szalkai] This recognition is important, but it does not suffice for adding the missing links to the chain. It would appear that in general, economic policymakers have not yet recognized the fact that the declining trend of the Hungarian economy could be stopped or reversed only by building on private-sector development.

Such development creates new workplaces and this is how income can be increased. Certain people treat the private sector primarily or exclusively as an issue pertaining to policies related to business cycles, whereas we

are dealing with an economic system change and a strategy for the transformation of the economy.

I am concerned that today's financing system conserves the old structure. This is so because for political and economic reasons banks are unable to remove themselves within a short period of time from large state enterprises which represent the old economic structure. Meanwhile the private sector which represents the new structure and growth is unable to obtain the necessary resources.

[Varga] The questionable receivables held by banks are also tied to the state sector. Do you agree with this understanding?

[Szalkai] Your understanding is correct. In order to avoid an accumulation of losses, banks often react by renewing or rescheduling loans, hoping to be able to pull out their clients from the mess. In the meantime, however, the banks are being pushed into a situation in which they are forced to finance the declining state sector.

[Varga] As you see it, will this "push" weaken or gain strength in the future?

[Szalkai] Considering the market situation and the increasingly deepening and self-fueling decline in sales and production, the questionable receivables held by banks will further increase in the remaining months of 1991, and probably also in 1992. This process is unavoidable. But parallelling this, a constraint to escape will increase within the banks, and one method of escaping is to grant repeatedly new loans to their debtors in the state sector who find themselves in trouble, hoping that they will shore up their operations. But all this results in the removal of resources from the private sector.

It is true, though, that under conditions of constraint commercial banks began to finance the small entrepreneur sphere. This is a result of pressure exerted by the government and the natural endeavor of banks to seek additional lending opportunities. Banking business opportunities decrease in times of recession. From their standpoint, lending to small enterprises also represents a line of business, even though the credit risks are rather great. For this reason banks whose outstanding receivables based on old loans represent small amounts manifest more courage in financing the private sphere.

In market economies the state provides some kind of support for the private sector, and within that to small enterprises, because these undertakings, and primarily the beginning enterprises, are at a disadvantage in an efficiently functioning credit and capital market. This could be accomplished in Hungary if banks, or some banks would develop a line of business with private entrepreneurs and small businesses. It would not suffice to merely present this line of business as a separate organization, it would much rather require the development of a special credit rating system. This sector has a

very small or no commercial background. One frequently finds that business concepts have not been fully developed. At the same time recession exerts an influence on the financial stability of private undertakings.

In other words, a special method of risk analysis must be applied in regard to this sector. In addition, banks would have to develop contractual conditions providing for increased security in light of increased risks.

Such conditions could include many things, ranging from involvement in business management to the cancellation of loans and including the placement of liens against the unencumbered assets of entrepreneurs. Offering collateral also serves the entrepreneurs' interests because the risk surcharge made part of the interest paid on loans would be reduced in proportion to the value of the collateral.

[Varga] So far as I know, small business loans abroad are available at interest rates lower than the market rates.

[Szalkai] This is true in many instances insofar as preferences reflecting conditions are concerned. Not counting the preferences, however, loans granted to small enterprises are higher than the interest rate offered to large enterprises, due to risk factors and higher general administrative costs charged with respect to smaller loans. This problem is known in the trade as the enforcement of discriminatory interest policies in regard to small and medium size enterprises.

In foreign countries those interested in financing, i.e., the entrepreneurial field, develop their own banking networks. The Banque Populaire in France, the German Volks Bank, and the credit union system in the United States are based on these traditions. In Hungary the Savings Cooperatives and the Savings Cooperative Bank are institutions of this kind. In countries with developed economies such banking associations control a 15-20 percent share of the credit market. In Hungary the credit market share of the above mentioned two institutions is between 6 and 7 percent.

The system of financial institutions which finances the entrepreneurial sphere could and should be expanded based on local initiatives made by the artisan and retail merchant strata, as well as by the populace. I recommend the cooperative form because the founding capital requirement is smallest in this regard based on the law governing financial institutions. In addition, there would be a qualitative difference between a mere debtor-creditor relationship between a person and a financial institution, as compared to that person having a stake in the ownership of a bank. Thus it would be in the direct interest of such financial institutions to lend resources within the private entrepreneurial sphere.

At the same time, however, no single owner of such financial institution would own a sufficiently large share in the bank to influence the flow of credit.

[Varga] Could compensation vouchers help establish financial institutions or investment funds of this nature?

[Szalkai] They could, in principle, and this would be the best solution from the standpoint of resource allocation and the regulation of total demand, but the legal conditions for this approach have not been developed. They are reducing the economic obstacles that appear in the way of financing the private sector, and in particular those which stem from high risks by establishing guarantee funds. The mutual surety system linked to the French Banque Populaire is a classic form of this (Societes de Caution Mutuelle).

Guarantee funds are linked to special credit rating methods. This is so because financial institutions generally rate a firm's management and the opportunities available to an enterprise in the marketplace. This path cannot be followed with respect to small enterprises, however, and particularly to new small enterprises. Judgments concerning future market conditions are rendered uncertain by economic decline and problems in the market, particularly under the present conditions. Under such circumstances only a multifaceted guarantee fund system which functions in various forms, and which supports individual credit worthiness with the responsibility and financial resources of a group is able to serve as a bridge between financial institutions and entrepreneurs. The chief potential sources for guarantee funds are the state budget and the private sector. The state provides financial resources to beginning entrepreneurs even in most highly developed market economies. Organizations established by entrepreneurs must also contribute to the establishment of such funds. Several foreign countries have offered support to the Hungarian entrepreneurial sphere. It would be best to concentrate these fragmented funds in the form of guarantee funds. Incidentally, a well functioning guarantee fund will not become depleted, it could even grow as a result of the proceeds it collects.

[Varga] If I understand you correctly, you would be opposed to the operation of a single, "universal" guarantee fund in Hungary.

[Szalkai] That is correct, because sooner or later a fund like that would necessarily become bureaucratized. I could envision a situation in which commercial banks or savings cooperatives established their own guarantee funds in addition to the already mentioned fund, which would be treated fairly by the tax system.

Guarantee funds and surety companies in Western market economies are generally organized along trades and professions, or in close cooperation with trade or professional organizations. This is so because from the bankers' standpoint it may be important that in addition to providing financial guarantees, these institutions also qualify the creditor from a professional and human standpoint.

Venture-capital organizations play an import role in the diverse institutional system that finances the private

sector. Specialized financial institutions were the seedlings of such institutions in Hungary, but unfortunately this branch of business has declined with the passage of time. Even the specialized banks pursue primarily general commercial banking activities by now.

Foreign entrepreneurial capital funds, venture capital funds have already appeared in Hungary. But quite naturally, these companies generally invest in already growing enterprise, and not in enterprises which just started.

One such company is Euro Venture, which is in the process of establishing a joint enterprise with the Foreign Trade Bank. Most certainly, a number of foreign entrepreneurial capital funds would be established in Hungary once the economy improved, and this would greatly boost the development of the private sector.

[Varga] But these funds speculate on increased returns on capital, i.e., one could not expect these to provide financial support to thousands of small, starting private which have a modest professional or business background.

[Szalkai] This explains why state organizations in foreign countries—as for instance the Small Business Administration in the United States—establish venture capital funds. It is important to note, however, that in financing starting entrepreneurs, state funds are coupled with private (bank) moneys. In Hungary the START loan may be viewed as a form of startup capital.

Risks assume various sizes and a different character in the various stages of the life cycle of private enterprises. For this reason the banking and financial institutional system, and the various investment funds must also be organized to correspond with these differences. Developing a stratified system like this is a function of the developmental level of the capital market. With the appearance and strengthening of institutional investors one must not neglect recognizing the opportunities and limitations expressed in regulatory provisions. For example excessive rigor in the regulation of investments may entirely rule out the possibility of including startup capital in the portfolio of these institutions.

This also suggests that the state must play a role in ensuring the availability of finances for starting enterprises. It is particularly important to call attention to this in a period when economic management is dominated by a fiscal outlook, and when the central bank limits its own role primarily to the improvement of the external balance and to the undisturbed discharge of the foreign debt service.

I believe that along with a deepening recession, nowhere in the world could monetary policy disregard the fact that it could significantly influence economic activity with its own peculiar means. And in Hungary, as this could be sensed, the issue involved more than a simple adjustment of a problem created by the business cycle.

Insofar as budget policy is concerned, it should transcend short term balancing consideration and should pursue firm policies to support the financing of the private sector.

Fledgling Automobile Market Analyzed

92CH0051A Budapest FIGYELO in Hungarian
5 Sep 91 pp 1, 19

[Article by Robert Becsky: "Car Sales: A Market at Last!"]

[Text] Who would have thought that some day one could walk into a showroom, pay, and drive away with a car just like in the West, and that the showroom would bear a sign other than "Merkur." The only trouble is that cars are either too expensive or extremely cheap, almost suspiciously cheap.

"The report entitled 'Information Concerning Automobile Sales,' which details the 1991 import permit system for cars, in all probability signals a historic turnaround," we wrote in FIGYELO No. 12, 1991. Well, in all probability, our prediction has come true six months later.

But reality behind this idyllic picture seems to be somewhat clouded. This is suggested by complaints from both buyers and sellers, and by "news" concerning next year's possible change in the present car import system resulting from pending import liberalization plans for 1992. To put it mildly, a mixed solution had evolved as of 1991 insofar as cars were concerned. The importation of income-producing vehicles and their parts had been included among liberalized goods since 1 January 1991, but personal vehicles could only be imported with a permit. Although no official explanation had been given for this distinction, one could assume that the government wanted to retain control over possible runaway imports, which could threaten the balance of payments. One could also assume that increased customs duties were designed to reduce imports, in addition to reassuring Western car manufacturers investing in Hungary.

Three concepts clashed initially. One would have made the very function of importing automobiles subject to license. The Ministry of Industry and Commerce [IKM] advocated this idea most forcefully on grounds of consumer protection and envisioned the establishment of certain mandatory conditions, such as compliance with technical and organizational criteria for selling cars and regarding warranties and parts supplies. There also was a third condition: Imported cars manufactured in socialist countries would have to be offered to persons lined up in front of Merkur dealerships. It soon turned out that a requirement like this would have been futile (see Box 3, p 19).

The other concept would have enforced external economic considerations and was based on the idea that imports could be controlled better by licensing certain quantities of imported cars on a case by case basis. It was felt that as a result of enforcing this viewpoint Hungary

could and should increase its export sales and attract more foreign investment. Finally, advocates of the third, financially oriented concept would have fully liberalized car imports along with the payment of substantially higher customs duties.

Everyone agreed that consumer interests had to be protected one way or another.

But how? Should the importer or the Hungarian dealer be held responsible for providing such protection? This question arose because in Hungary today, like in a number of countries throughout the world, an importer and a dealer is not one and the same person. It seems that a system in which the importer must sign a statement certifying the existence of necessary conditions does not work. Some felt that this system had failed because the existence of the necessary conditions attested to had not been verified when import permits were issued, while others claimed that this could not be controlled in any way.

In any event, the dispute surrounding car imports was resolved in an odd way. An announcement published in the Foreign Trade Bulletin last February concerning the 1991 car import permit system stated that the foreign trading of cars (import transactions) is subject to a permit pursuant to rules detailed in the bulletin. On this basis the Ministry of International Economic Relations [NGKM] issued 12,615 permits to 495 entrepreneurs by mid-August for the importation of 221,000 cars. Since then, competent persons at the IKM and the NGKM frequently exchange correspondence to determine whether the import activity itself or the import volume should be made the subject of permits.

Insofar as the future is concerned these viewpoints might as well converge, since the fear from runaway imports did not materialize. Thus far the value of import permit applications amounts to \$560 million, but actual imports only amounted to between 70,000 and 80,000 vehicles at an average price of \$2,600 (!). Moreover, we learned that during the past two or three months the number of cars imported has already declined. Early this year importers made sure that adequate stock was available but as it turned out later there was no solvent demand for that many cars. According to the NGKM Licensing Division, the Hungarian general agents of Western car manufacturers manifest a characteristically different attitude. They pace their shipments by importing between 100 and 200 cars at a time and apply for a new permit only after selling those cars.

Consumer protection measures have become unavoidable, particularly in light of the confusion that surrounds used car imports. Many feel that licensing the activity itself and enforcing the prescribed conditions may help. At the same time, based on a proposal advanced by the recently established Automobile Importers Association [AIA], only the manufacturers' general agents should be able to import new cars. Others, however, do not regard

this approach as appropriate, because this would narrow down the potential group of importers to the existing 20 general agencies. This approach would also conflict with prevailing EC rules which, in the interest of competition, allow anyone to import cars provided that the importer holds a type permit, i.e., that he holds a manufacturer's certificate attesting to the fact that the imported car is indeed the manufacturer's product. This requirement is based on the fact that certain countries require two kinds of examinations for imported new cars. One is the above mentioned type examination which is not an equivalent of the KERMI check mandated—but not taken seriously by anyone—in Hungary. The other is a technical examination that qualifies cars from the standpoints of their performance, safety, and effect on the environment.

It is easier to take a position regarding used cars. The fact that 65-70 percent of the 70,000 to 80,000 imported used cars are old cars raises concern. This ratio has increased to 90 percent during the past three months, according to the NGKM. (Unfortunately, no statistical data exists concerning the age distribution of cars.) In a few years the high ratio of old cars is bound to result in an increase in imported spare parts. Experts believe that the situation could be improved somewhat if imported used cars had to pass an inspection. As of now, imported used cars include some that were rated as total losses; these cars would not pass a road-worthiness inspection in the West. In addition, a statement detailing the history of used cars should also be demanded, including a record of possible collisions and a maintenance record, the way this is required in the West. In addition, technical inspections should be made more stringent and more frequent.

In the final analysis, competition is a function of prices, customs duties, taxes, and marketing organization. Insofar as customs duties are concerned one does not exaggerate by saying that the situation is not reassuring. In general, the amount of customs duties to be paid is based on invoice value with respect to all kinds of goods. (This is also the practice in the Europe we want to catch up with.) Cars constitute an exception in Hungary in this regard. Customs duties on privately purchased cars, or on cars received as gifts are calculated on the basis of the Schwache catalog, while the same is figured on the basis of invoice value regarding commercially distributed cars. Considering the large number of car importers, it certainly is difficult to verify the invoice value. While the importer saves money by paying lower customs duties on the lower price he paid, the budget suffers as a result of lower customs revenues, even though customs authorities are entitled to use catalog prices if prices shown on invoices are suspect. But just what is suspect and who regards something as suspect is a matter of subjective judgment. Perhaps for this reason some countries which do not manufacture cars (Denmark, Greece) and impose high consumption taxes rather than customs duties on cars.

Manufacturers' general agents and authorized distributors pursue fully centralized pricing policies: Retail prices are established by the manufacturers in every

instance. Manufacturers expect their dealers to be continuously informed about competitors' prices and about possible sales promotions, but there is no intense price war among competing car manufacturers whose products are sold worldwide. Insofar as pricing policies in Hungary are concerned, manufacturers grant a 15- to 20-percent discount on cars purchased by the state. This discount is granted in part because of the large volume of sale, and in part in hopes for future large orders. Charges of unfair competition are frequent with respect to new cars not imported by general agents, because the prices of these cars do not include the cost of warranty services. Once the cars are sold, these importers liquidate their limited liability corporations, leaving buyers stranded. This practice does not hold out the promise of long term success of course, but this serves only as small consolation to aggrieved buyers.

[Box 1, p 19]

The 20 or so general agents represent only the beginning of car sales in Hungary. Each authorized distributor develops a dealer network consisting of show rooms, spare parts supply warehouses, and repair facilities. Western firms can choose from among very many applicants, all of whom want to serve as general agents in Hungary. Since not even the traces of a sales network in the Western sense have evolved before, it seems that the management and flexibility offered by, rather than the organizational size and the size of capital of the applicants serve as the chief selection criteria. Establishing these conditions does require an organization and capital in the long term of course, nevertheless manufacturers exercise rather great caution in making their investments. Usually they invest only a small amount of capital in Hungarian firms, or do the exact opposite by acquiring full ownership. But prepurchase rights serve as conditions in most instances when manufacturers acquire only a minority of the shares in Hungarian firms.

Western car manufacturers are also cautious about their potential sales volume and count on selling only a few hundred vehicles. The 1991 sales volume justifies this precaution.

[Box 2, p 19]

Oster Leasing is one of the oldest general agencies. Attila Kiraly is its president. The firm had been established in early 1990 with a capital stock of 120 million forints, 90 percent of which was Austrian owned, while 10 percent was Hungarian. The Oster network consists of two dealerships in Budapest, and one each in Eger and Pecs. The firm acts as Chrysler's exclusive importer. Oster recently bought a 51-percent interest in the Budapest, Boldizsar Street service facility because Oster is the largest Hungarian distributor of Fiat cars and because they are developing their organization pursuant to Fiat requirements in the framework of a three-year program. At present Oster has storage facilities suitable to accommodate between 200 and 300 cars and 1,000 cubic meters of spare parts. Each dealership delivers new cars,

provides repair services, and stores spare parts. They sold 1,000 cars last year, including 750 leases. Leasing means that used cars are returned when the lease expires and 60 percent of the used car's selling price is credited to the new lease agreement.

[Box 3, p 19]

In FIGYELO No. 21, 1991 ("Turnaround in the Car Market?"), we described the IKM concept for transforming the state owned car trade. Joint transformation of the car trade was based on the idea that as a result of the joint use of the capital owned by the affected firms there would have evolved general agencies tied to the various trade marks. This concept has failed, however, because in IKM's view there was a lack of preparedness to cooperate on part of the firms involved, and in part because there was no demand for a great majority of cars manufactured in socialist countries the IKM included as part of its stipulations.

Under the IKM concept the situation of Merkur appeared to be most promising, but Merkur's actual situation became increasingly difficult. With the exception of the possible sale of the Soviet Lada [model], chances for establishing a general agency are diminishing, but even in regard to Ladas an agreement has yet to be signed. The large firms have already developed their networks, and these firms would not have been able to utilize Merkur's transfer and other capacities accommodating tens of thousands of cars. On top, future warranty obligations will represent an expense of more than 1 billion forints to Merkur. Under these circumstances cutbacks in the enterprise's operations appear to be the only way out, enabling the enterprise to finance its previously incurred obligations from proceeds derived from the sale of facilities, provided that such sale is authorized by the State Property Agency [AVU].

Autoker Enterprise [automotive parts] has become a corporation, and general agency agreements with several foreign car manufacturers (Fiat and Mazda) have been

consummated. Two other parts dealers, Mobil and Auto-technika, intend to change their profiles and count on a spare parts demand for cars manufactured in socialist countries for quite a few years to come. They also envision an opportunity in the sale of equipment not tied to trade marks in the framework of the semiwholesale trading of parts.

Grain Export Deals Numerous but Uncertain

*91CH0930C Budapest NEPSZABADSAG in Hungarian
12 Sep 91 p 10*

[Article by T.L.: "Hungarian Grain Exports—Agreements in Concept Accumulating"]

[Text] There would be buyers even for next year's crop if all agreements in principle materialized, according to the Ministry of Agriculture.

Another sales organization by the name of Futura, Inc., visited the Ukraine the other day; as reported earlier, this company has agreed in principle to export 1 million tons of grain. Futura's management was not willing to provide additional information regarding this transaction, claiming that negotiations were still in progress and that they would provide detailed information upon concluding the negotiations.

Futura has not applied for an export license thus far, according to information received from the Ministry of Agriculture. The ministry is cautious about letters of intent and agreements in principle because if all these were to materialize even next year's crop would have already been sold. To their knowledge, letters of intent have been received thus far for the purchase of 10 million tons of grain; as of now, however, actual contracts have not been consummated based on these letters of intent.

Based on most recent data provided by the Central Statistical Office, 7,863 million tons of cereal crop has been harvested this year, and this amounts to only slightly less than last year's crop. Since a smaller land area than before had been seeded only 5,954 million tons of wheat were grown, 207,000 tons less than last year.

Experts on Politicians' Influence, Ability

91EP0716B Warsaw ZYCIE WARSZAWY in Polish
3 Sep 91 p 3

[Article by Tomasz Zukowski: "Experts on Politicians"]

[Text] After a survey of public opinion, it is time to hear the experts. Their verdict on more than 20 well-known politicians (the same ones about whom we have previously reported the opinions of average Poles) was expressed by a dozen or so outstanding experts on the Polish political scene: scholars, experts, and advisers of various political groups and journalists representing a variety of influential newspapers and magazines.

The experts told us which of the politicians considered have the greatest influence on the political and economic elites and who has the greatest individual ability in terms of talent, knowledge, work habits, and current condition. We also asked whether the ratings of these politicians during August 1991 (including the dispute over the vote of no confidence in the government) increased or fell.

Influence: At the Top—"The Great Trio"

It turns out (see Table 1) that, in the opinion of the experts, three politicians—President Lech Walesa, Deputy Prime Minister Leszek Balcerowicz, and Jacek Kuron, one of the leaders of the Democratic Union (UD)—have the greatest influence (described as "somewhat greater than very great"). A clear distance behind the "Great Trio" are the next four politicians—Prime Minister Jan Bielecki; Jaroslaw Kaczynski, head of the President's Chancellery; Tadeusz Mazowiecki, chairman of the Democratic Union; and Krzysztof Skubiszewski, minister of foreign affairs—whose influence falls between great and very great.

Table 1

1.	Leszek Balcerowicz	5.1
2.	Jacek Kuron	5.1
3.	Lech Walesa	5.1
4.	Jan K. Bielecki	4.6
5.	Jaroslaw Kaczynski	4.5
6.	Tadeusz Mazowiecki	4.3
7.	Krzysztof Skubiszewski	4.2
8.	Jan Olszewski	3.5
9.	Ryszard Bugaj	3.3
10.	Ewa Letowska	3.0

Individual Abilities: The Prize to Balcerowicz

The politician with the greatest individual abilities, in the opinion of the experts, is Leszek Balcerowicz (see Table 2). His talent, knowledge, work habits, and August "political form" were considered "more than very high." Just behind was Jacek Kuron, who preceded an entire host of state leaders. They are followed by Ewa Letowska, the Citizens'

Rights Ombudsman; Ryszard Bugaj, the leader of Solidarity of Labor; Jan Olszewski, the leader of the citizens' movement; and Jerzy Urban, the controversial, longtime participant in the political game.

Table 2

1.	Leszek Balcerowicz	5.2
2.	Jacek Kuron	5.1
3.	Jan K. Bielecki	4.5
4.	Jaroslaw Kaczynski	4.5
5.	Krzysztof Skubiszewski	4.5
6.	Lech Walesa	4.2
7.	Ewa Letowska	4.1
8.	Ryszard Bugaj	4.1
9.	Jerzy Urban	4.0
10.	Jan Olszewski	3.9

Who's Up, Who's Down: Kuron and Bugaj on the Move; A Bad Stretch for Kaczynski and Bartoszce

An unbelievably important element in the overall position of a politician is his current rating. The thought, "how to go up" or at least how to avoid the opinion of one who is losing significance keeps sleep from the eyes of politicians all over the world, including in Poland.

Before the next survey in September permits us to present the changes in society's trust in particular politicians, we have put ourselves into the hands of the experts. Their verdict is unambiguous (see Table 3). August brought a very clear improvement in the ratings of Jacek Kuron, a somewhat smaller improvement in those of Ryszard Bugaj and Ewa Letowska, an improvement (though not clear) in those of Prime Minister Bielecki and Tadeusz Mazowiecki, the former head of government. It is worth noting that the places from sixth to tenth are held by the leaders of the political groups and movements who are opposed to the current government and its policies.

August was not, however, a good month for the leaders of the citizens' coalition of the Center and for Leszek Balcerowicz.

Table 3

1.	Jacek Kuron	+ 1.4
2.	Ryszard Bugaj	+ 0.9
3.	Ewa Letowska	+ 0.7
4.	Jan K. Bielecki	+ 0.5
5.	Tadeusz Mazowiecki	+ 0.5
6.	Waldemar Pawlak	+ 0.3
7.	Zbigniew Bujak	+ 0.2
8.	Wladzimierz Cimoszewicz	+ 0.2
9.	Jerzy Urban	+ 0.2

Table 3 (Continued)

10.	Stanislaw Tyminski	+ 0.1
11.	Leszek Balcerowicz	- 0.5
12.	Zdzislaw Najder	- 0.5
13.	Jaroslaw Kaczynski	- 0.8
14.	Roman Bartoscze	- 1.9

Pawel Fafara and Tomasz Zukowski talked to the experts between 30 August and 1 September 1991.

The following gave their evaluations: Zygmunt Drozdek, Stanislaw Gebethner, Janusz Grzelak, Andrzej Halicki, Jozef Kossecki, Wojciech Lamentowicz, Maciej Letowski, Janina Paradowska, Andrzej Rychard, Ernest Skalski, Wojciech Sosnierz, Edmund Wnuk-Lipinski, Tomasz Wolek, Andrzej Zakrzewski.

We thank all the experts and remind our readers (including those directly interested in the politicians): Our contest is only a game, albeit an instructive one, we hope.

New Defense Doctrine Formulation Problems Noted

92EP0009A Warsaw POLSKA ZBROJNA in Polish
12 Sep 91 p 4

[Article by Colonel Boduen Ciesielski: "Defense Policy—A Military Doctrine"]

[Text] Below I am deliberately equating doctrine with strategy, because in the world's leading countries military doctrines are being deliberately abandoned in favor of a military strategy closely relating to or ensuing from the defense policy of a given country or military pact.

Experience shows that most often doctrines do not pass the test of real life and are a cause of military disasters (e.g., France in June 1940), because they constrict the thinking of commanders and lead to rigidity in action on the battlefield. Moreover, they engender rigid organizational structures of armed forces and military training systems.

Poland's abandonment of the rigid military doctrine of the Warsaw Pact (which has not been widely known among our officer cadres) early in 1990 prompted the hasty drafting of a military doctrine that was termed "Defense Doctrine." It was and is being criticized by military personnel, as well as by politicians and civilian newspaper columnists. A majority interpret it as a political declaration rather than as a military doctrine or strategy.

This criticism was probably the reason why this subject became considered and researched by the General Staff of the Polish Army, and why it continues to be discussed in civilian and military periodicals. Such discussion is needed, because we are restructuring our system of society and thereby also all the state, political, and social institutions.

I believe that discussion of the military strategy of our country is complicated and difficult for the following reasons:

—Despite the many changes in Poland, the new structure of our government is not yet firm enough. The absence of a new constitution is resulting in legal chaos and the blurring of powers and accountability, as well as in the absence of a systematic approach to political, economic, social, and defense problems.

—The changes being introduced at present are of a marginal, extrasystemic nature that does not basically alter the structure of the defense system. Such changes can be said to include the transformation of the Committee for National Defense into the National Security Council, the Ministry of National Defense into a mixed civilian-military agency, and the General Staff of the Polish Army into the Supreme Army Command (a historic and world event), along with the promulgation of the Law on Military Holidays and the merger of the Air Force with the National Air Defense into a single branch of the armed services.

—Then also there is the evident lack of understanding of aspects of national security and national defense on the part of many politicians, senators, and deputies. This lacuna is resulting in a continuing discussion to demonstrate the need for the existence of armed forces in Poland, and in the erroneous opinion that a reduction in the armed forces can be the lever for raising the economy, whereas in reality, throughout the world, it is the arms industry that is the prime mover of economic boom. A reflection of the failure to understand defense issues is the Polish foreign policy, which has resulted in the military isolation of our country in the heart of Europe.

—Despite the great credibility and popularity of the military in the Polish society, the need for its existence and restructuring and for developing a cohesive defense policy, etc., is being advocated chiefly by the military themselves. For the most part they do not have the support of civilian politicians (as demonstrated by the discussion alongside military pensions and so-called perks) and high government officials. The feeling is that some politicians interpret the ideas and proposals of the military as attempts to halt reforms in the armed forces, as attempts of the military to retain their existing positions.

—Then also there is the uncritical emulation and application of the solutions employed by other countries without allowance for our historical, cultural, social, and political circumstances and economic and infrastructural possibilities. A glaring example of this approach is the proposals to form the National Security Council in lieu of, e.g., the Defense Council, or to establish rapid reaction forces (as if we had vital interests throughout the terrestrial globe), the concept of the Air Defense System, and many others.

The above complications should be patiently and consistently clarified, and their influence on working out a national defense policy and the attendant defense strategy should be gradually curtailed.

It appears that many factors should be allowed for when designing a defense policy.

Thus, a global nuclear conflict cannot be completely precluded. As nuclear arms spread and the areas of poverty in the world widen, the nuclear threat is growing instead of diminishing. To survive, our nation must make the necessary preparations (in terms of facilities and equipment) to safeguard the life and work of the population in areas of radioactive contamination. The example of Chernobyl showed that we are not prepared for such situations.

Furthermore, our territorial size, economic potential, strategic raw materials, infrastructure, etc., are such as to indicate that, given its present geopolitical location, Poland is incapable of providing for its security on its own. It thus must work out a defense policy based on bilateral and multilateral alliances—not necessarily military ones—chiefly with its neighbors. These alliances should, however, concern logistical matters, and especially strategic raw materials and military supplies in the event of armed conflict.

At the same time, Poland should not renounce nuclear arms. The very fact of having them is a deterrent that strengthens national security. But the number, quality, and means of portability of these arms remain an open questions.

Next, our defense policy should safeguard national independence and sovereignty. Hence, it must be flexible, because domestic and foreign conditions change differently and sometimes within a very short period of time at that. Defense policy cannot be one-track, that is, it cannot be confined to utilizing the armed forces alone. It should cover many vital national domains assuring the functioning of the country both in peacetime and in time of an eventual armed conflict. In this connection, defense policy should allow for the following factors:

- Foreign, domestic, and social policies.
- Broadly interpreted national economy, especially the state sector.
- State finances (the Treasury).

The premises of the defense policy and the implementing decisions (decrees) should be within the competences of the President and his advisory body, the Defense Council.

The nature of the defense policy cannot be public, and its premises and assumptions cannot be the subject of political deals struck among senators, deputies, or party politicians.

The Defense Council as the advisory body under the president should consist of representatives of the Sejm, the Senate, and the government, that is, of representatives of the legislative and executive bodies. As for the constitution, it should define precisely the powers of the president, the Defense Council, the Sejm, and the government concerning the defense policy.

Defense policy should be implemented by the government through its agencies, and chiefly through the administration, the armed forces, the policy, and the paramilitary organizations and institutions.

Defense policy should be behind the military strategy concerning chiefly the armed forces. Military strategy, in its turn, should answer the following questions:

1. What purposes of the defense policy are accomplished by the state by means of the armed forces?
2. What branches of the armed forces should be maintained, and to what extent, in order to accomplish these purposes?
3. What objectives should be assigned to discrete branches of the armed forces in order to accomplish the purposes of the defense policy?
4. How should discrete branches of the armed forces be developed?
5. How to develop and organize the logistics enabling the armed forces to accomplish the military purposes of the national defense policy?
6. What operating procedures of discrete branches of the armed forces and armed services would be the most effective in accomplishing the objectives assigned?
7. How can the armed forces be trained to accomplish their objectives?

The above questions comprise the domain of the combat-associated military aspects of defense policy. They can be broken down into many specific questions.

Lastly, we should interpret defense policy in a new way. It cannot be equated with military strategy (doctrine) and associated only and solely with the armed forces.

We in Poland should attempt to work out a defense policy and use its assumptions to build a "defense system" and work out a military strategy, because until 1990 we used to be merely executors of the decisions of the Warsaw Pact.

My conclusions should not be regarded as calling for the widespread militarization of this country, because defense policy is far from it. The experience of the leading countries, and especially of Finland, Sweden,

and Switzerland, shows that a proper defense policy safeguards national security, sovereignty, and independence, that is, it safeguards the core foundations of calm work, democracy, and growth of prosperity.

It appears that, unless assumptions of a defense policy are elaborated and an outline of the defense system and military strategy worked out, any "restructuring" and formation of agencies and institutions will be pointless, because mutually coherent elements constituting a greater whole cannot be otherwise developed.

To me the fears of the professionals, who see no point to the plans and measures currently associated with restructuring the Armed Forces of the Republic of Poland are justified, because it makes no sense to commence such restructuring by passing a pension law, legislating military holidays, or discharging the career military.

Politicians and professional economists should finally realize that national defense is an element of the economy whose development acts as a stimulus to its other elements, and that the arms race in countries with appropriate defense systems has contributed to their economic growth, whereas in countries in which certain limits have been exceeded (that is, countries in which defense policy became militarized) it has contributed to their economic decline, because disregard of the cost factor is a trait of militarism.

That also is why any discussion of the elimination, size, composition, organization, arms, etc., is worthwhile and needed, because it contributes to making the public aware of the problems of national defense and hence also contributes to working out the assumptions of our defense policy.

Defense Minister: Army in a State of Hibernation
92EP0010A Warsaw POLSKA ZBROJNA in Polish
5 Sep 91 p 1

[Article by Lieutenant Colonel Tadeusz Mitek: "Is There a Chance for Breaking the Deadlock? The State of the Army and National Defense"]

[Text] Recently things began to get moving a little as regards the military and the problems of national defense.

The first reading of the government draft of a law on amendments to the scope of activities of the Ministry of National Defense and on the principles of the management and command of the Armed Forces of the Republic of Poland has taken place. The Upper Chamber has, while poorly attended, to be sure, also undertaken discussion of other aspects of national defense. What is important is that this topic came to be discussed during plenary deliberations, since this facilitates new legislation concerning the military.

Although that was a highly tense and dramatic day, on 30 August Prime Minister Jan Krzysztof Bielecki met with

the high command of the Polish Army (earlier he had granted an extensive interview to POLSKA ZBROJNA concerning national defense and the budget of the Ministry of National Defense). That also was the topic of the press conference given by the Minister of National Defense Vice Admiral Piotr Kolodziejczyk and Lech Kaczynski, the minister of state for National Security Matters at the Chancellery of the President of the Republic of Poland.

Military issues have been discussed by many competent and responsible individuals, representatives of various major government institutions. The present condition of the military was described fairly clearly. It can be said that there is a consensus that the Army budget is in distress and this is even now paralyzing the execution of its basic functions and tasks.

Minister Lech Kaczynski declared that it is an excessively slashed budget and its further reduction is inadmissible. Minister Kolodziejczyk characterized the condition of the Army as "being in hibernation." This diagnosis was not denied by Prime Minister J.K. Bielecki. Information on the deplorable condition of the military and the entire defense system due to the condition of the economy and the drastically shrinking financial resources of the government also reached and was implanted in the consciousness of many deputies, and in the Upper Chamber it was received with genuine concern.

As regards the military, what is alarming is not only the straitened budget circumstances but also their already increasingly explicit long-range consequences in both material terms and terms of morale.

The ongoing shrinkage of the funds available for national defense is becoming, as declared in the Sejm, directly reflected in the condition of military equipment. The funds for acquiring up-to-date arms and equipment are insufficient. Particularly dangerous is the moribund state of the indigenous defense industry, which, instead of being protected by the state, has been exposed to the action of the general laws of the market.

Likewise, the curtailment of R&D funding is producing disturbing consequences. Since it is certain that we will not be able soon to import modern combat equipment, the fact that our domestic manufacturing and research potential is declining must be particularly worrisome. The war in the Persian Gulf has demonstrated the importance of the availability of modern equipment to the military.

What is more, even now the funds for the complete retraining of personnel in the use of the available equipment, obsolete as it is in many ways and parameters compared with the world advances in military technology, are insufficient.

Other consequences of the present situation include the mood among the military, or more generally, morale. Discharges of the career military, lack of clarity as to the

ultimate organizational and command structures, and in particular uncertainty about social services, along with the destitution of families, the lowering of living standards in the barracks, and continuing curtailment of service benefits and allowances, including the recent law undercutting retirement pensions for the military—all this is causing frustration and discontent and fears about the future. There is no need to explain how such circumstances can affect military efficiency.

Let us ask whether the recently arisen interest in the military and national defense issues is producing some tangible results, whether we can say that a chance for breaking the deadlock is arising?

The prime minister and the ministers made no promises, no attempts to delude: "Gentlemen, in budget matters there are no miracles."

Instead, they pointed out, especially during the prime minister's meeting with military commanders, that the foundations for resolving the budget problems of the military in a rational and more advantageous manner are being laid. The ongoing changes should, they said, lead from financial fiction to criteria of economic pragmatism.

General assurances that Poland needs an efficient and modern army also were provided. And that doubtless is the belief both of the government and of the Presidential Chancellery. The recent events to the east of our country have demonstrated that our swath of Europe is still unstable and that border security should be considered realistically and responsibly and the state provided with effective defense at the needed level.

It is important that certain barriers regarding the military have been overcome. It is good that the economic realities of its functioning have been spotlighted. It can also be said that the groupings previously mistrustful of the reforming Polish Army have abandoned their no-longer topical ideological prejudices against it. The depoliticization of the army is doubtless contributing to this shift in the way it is viewed.

However, many specific problems of national defense and the military itself remain unresolved. Let us recall that they were formulated as follows during Sejm discussion:

—Restructuring the army.

—Provision of needed funding for national defense and for the functioning of the armed forces.

—Adoption, insofar as the Sejm considers the related legislation, of solutions regarding retirement provisions satisfactory to the career military.

—Passage of amendments to several military laws adapting them to the current condition of the army and enabling it to function in the new political and economic circumstances.

—Focusing work on the defense doctrine of the Republic of Poland and, in that context, on the role and functioning of the armed forces.

Let us also add that there are many other topical questions and postulates (which came to light during the Sejm debate) relating to the scope and powers of the government draft law providing for the appointment of a civilian minister of national defense. In what matters regarding the military would he have a decisive voice? What would be the practical machinery of the control and guidance of changes in the military by a civilian political boss?

Clearly, all such questions need urgently to be resolved legislatively and organizationally. The point is to preserve the national defense system and to halt unfavorable trends, especially in the material respect. There is a need to lay realistic foundations for the further structural and organizational revamping of the military, in accordance with the postulated modern model of the armed forces in a democratic state.

The recognition that the state needs armed forces is a good point of departure for measures which the entire state system, and not just the ministry of defense, should show concern.

Poor State of Air Force Described

*92EP0010B Warsaw POLSKA ZBROJNA in Polish
5 Sep 91 p 4*

[Article by Lieutenant Colonel Włodzimierz Kaleta: "The Wilting Wings"]

[Text] The bitter, cruel even, truth is so shocking as to be at first unpalatable.

"If we are to speak honestly, please jot down that at times we are afraid to board the planes," said Jr. Lieutenants Artur Mrozik and Mariusz Ciok, who recently were graduated from the Deblin Air Force Academy, and perhaps that was why I asked the next question almost automatically.

"You are unsure of yourselves, are not you? Have not you been trained properly to fly at school?"

They look at me with astonishment, and this makes me realize that this kind of question could be asked only by a layman.

"It is simply that the planes often tend to break down and there is a shortage of spare parts," they explain. The operating life of the planes is being continually extended, and those '21's should have long ago been retired, but we still are flying them. When taking off we often wonder whether we will land successfully."

Lt. Col. Jerzy Tomczyk, deputy commander for Training Affairs at the 10th Air Force Fighter Regiment, has devoted too many years of his life to service to be readily susceptible to emotions. According to him, the planes,

though hardly modern, can still be flown provided there is no shortage of spare parts. He admits that already on some days 12 MIG's take off but only six or seven remain flyable. Such is the high breakdown rate of the machines.

But people like Lt. Col. Tomczyk have been appointed to commanding posts in order to accomplish the tasks assigned, regardless of the difficulties. And they do perform their duties, even though this requires an increasing investment of effort, organizational cleverness, and time. Can the principal problems of our Air Force be perceived through the prism of Lt. Col. Tomczyk's unit? Certainly, in the end all the other units are experiencing similar problems.

The opinions, reflections, emotions, and impatience of pilots and technicians together form, like a mosaic, a picture painted in dark colors. And although there still are many dark and unknown or unclear spots in that picture, the contours of the pattern are perfectly clear.

The Decrepitude of the Polish Air Force

What are the principal fears underlying this diagnosis? One has to be deaf or completely divorced from reality, not necessarily the military reality alone, in order to be unaware of the comments being loudly expressed but, this being characteristic, most often in situations in which anonymity can be preserved, to the effect that the political interests of the powers that be do not include the military. Of course, problems of secondary importance to the military are often discussed and decisions unpopular among the military are taken, and thus it is nothing surprising that the decisionmakers respond to such comments as justifying them in the eyes of the public.

True, the Polish present is diametrically opposite to its past. As history teaches, in times of social ferment the pendulum always swings to the extremes, skipping across the middle zone. It is a truism to recall that the most important task for the present is to destroy the past. This principle has unfortunately also proved true in its entire extent for the military since, as has repeatedly been declared from on high, the army was "the sword of the party which had created it."

Can it therefore be surprising that, now that the system of society has changed, decommunizing the military has become the most important objective? However, the removal of the ideological corset from the military, and especially its reorganization, has involved measures which pilots, and not only they, consider, to put it diplomatically, as somewhat mistaken.

"Honest and foresighted measures can and should be taken in response to genuinely perceived needs," my collocutors said, "but it also is possible and necessary at a certain moment to consider which measures to abandon. The people in charge of reorganizing the Air Force should guide themselves by this maxim."

The military communicate with each other in numbers, the equivalents of sentences. That is because they need not words but arithmetic, actions based on numbers.

"How much does it cost to train one pilot?" They are self-confident. They represent as it were the encoded rationale of the military order of things.

"First there are the four years in the Air Force school, followed by flying 'fast' aircraft, at least three more years before the 'master flier' category is earned." And they demonstrate on paper, with the help of added-up, multiplied, augmented, incontrovertible multiple-digit figures, that a pilot is the worst soldier in our armed forces. That is why they simply cannot accept the fact that many experienced pilots have been discharged from their ranks with such ease. After all, the reorganization of the military is supposed to be based on cost-effectiveness, on what pays. But what if short-term gains are bought at the expense of what may already in the near future prove to be irrecoverable long-term losses?

This recent upset might perhaps remain unimportant if it did not reflect the atmosphere of improvisation in which matters of this kind are being resolved to this day. The people I interviewed provided instances from their own experience. Thus, owing to the aforementioned reorganization, the unit's tables of organization and aircraft have been markedly reduced in numbers; and that is why many experienced pilots were listed on so-called transition rosters. After newly created posts were staffed with young officers recently assigned to the fighter regiment, some of these experienced senior pilots submitted discharge requests, in view of the lack of clear prospects for their future in the Air Force and also in view of the publicly announced plans to "trim" the perks of the military—and their discharge requests were willingly accepted and rapidly processed.

After as little as a few months, two of these senior fliers, Lieutenants Misztal and Lagodka, submitted—let us disregard for the moment their motives—requests for reinstatement in the Air Force. Their requests were turned down. For people who resign from the service on their own there is no return to the service.

Honor of fliers? But the Air Force has always been careful about its professional prestige. Officers with whom I discussed this topic claim bitterly that the Air Force's prestige has long ago been shot down, so that really there is nothing to talk about. Concerning the attempts undertaken years ago to "reorganize" pilots, they characterized them plainly as amateurish and hasty and disorganized to their work, as for example by discharging all at once pilots in several age categories and thus introducing a mood of uncertainty and apathy among their remaining colleagues. And as for the rejections of the pilots' requests for reinstatement, they simply cannot understand them.

Lt. Col. Tomczyk does not deny this—the matter is important. There is indeed a shortage of flight instructors. Were those applications for reinstatement to be

accepted, the reinstated pilots could successfully serve as instructors after being retrained for just a few weeks.

When the most experienced fliers left the regiment, that being why Tomczyk is at present one of the most senior fighter pilots in the regiment, the natural training bonds between the instructor and the trainee were disrupted.

The pilots explained to me what this means in practice. Thus at present young officers are most often trained by instructors who are only a little more experienced than they, or even not more experienced but higher in rank. What skills can such instructors teach? The fliers with whom I talked said they firmly believe that this was precisely the reason for a recent in-flight accident experienced by their mates.

Although they refer to the past so often, they do not conceal their fears of the future. That is because so far nothing seems to oppose the pressures to curtail the military budget and hence also to disrupt normal operations of the armed forces. The pilots I talked with are hardly happy to remember the historical justification of this situation: this happened in the past, too. Most often.

The military budget has always been the first to be affected by a crisis in the economy, owing to lack of funds. This may even sound commonsensical when one considers the declarations about the inflated military budgets. What is surprising is that this criticism has never prevented incurring substantial expenditures that have not always gained social acceptance yet which many wise men labored hard to justify, if they were justified at all.

But let us return to our... aircraft.

Polish military aviation is basically obsolete. This conclusion cannot be changed by images remembered from the not distant past and readily presented in the mass media as a symbol of the up-to-dateness of our Air Force—the pictures of MiG-29's with their variable-wing geometry or the well-designed SU-series assault aircraft.

Actually, there are only a few such MiG's in the Polish Air Force, and they are incompletely armed at that, for which reason, I was told—I am not sure whether jokingly or as a crying shame—that not one of them has yet gotten off the ground. And the most important problem for the technicians servicing these aircraft at present is how to fool the on-board computer. That is because these MiG-29's are so designed that the computer controls all the processes, from take-off to landing, and will not permit the engine to start if some detail, the smallest component, is malfunctioning. If a minuscule component which has no effect whatsoever on safe performance of flight or on the assignment breaks down, the engine cannot be started. And as for spare parts, the most essential ones are increasingly missing.

I recall an anecdote from years past when, allegedly, a conveyor belt for filling Pepsi Cola bottles was acquired,

but it at once necessitated incorporating sensors that would stop production whenever a bottle was dirty. Well, the belt had to be stopped often.

But the difference is that the analogous problems of the Air Force are not at all funny. On the contrary, they are horrifying. Is it possible in the near future to accomplish the recovery of the Air Force? The next related question should be, is the possibility of new shipments from the Soviet Union precluded? It seems not quite. In a situation in which funds for rearming the Air Force with equipment of Western origin are lacking, the solution of this problem appears urgent.

This calls for other, broader reflections. Recently the possibility of acquiring F-16 or F-18 American fighter aircraft has been mentioned in the mass media. Would such purchases revivify our Air Force? Could 20 or even 30 such aircraft—because we certainly cannot afford more—change the Air Force's situation?

But never mind. In this place it should be stated most explicitly that the acquisition of the most up-to-date aircraft or even aviation technologies by Poland is simply out of the question, at least for the time being. This concerns not only money. The war in the Persian Gulf has convinced the Americans that their technological superiority enables them to attain victories even with fairly limited forces. That is why for them to share that technology with the former countries of the Eastern Bloc would make no sense.

This should be quite clear to the authors of such suggestions, because they are not ignoramuses in the fields on which they comment. Such is the reality. Anything else is megalomania presupposing that a strong and modern Polish military is as important to the Americans as to us. Does this mean that the situation of the military aviation bearing red-and-white checkered insignia on its wings is stalemated? Troubles and ill-will in the East, lack of interest and cold calculations in the West... in such a situation should not Poland perhaps relinquish its Air Force? After all, it is completely unsuitable for stopping any eventual large-scale intrusion of refugees across our eastern frontier.

This irony is so primitive as to somehow sound justified. All the old certainties have disappeared, and new ones still have not arisen. There are many more variables than constants. Thus, impotence engenders the temptation to reach for the simplest solution—for now, or at most for tomorrow.

Nowadays it would be insane to even try to predict how the situation will unfold in the neighboring countries. But does none of the ultimately possible alternatives sound alarming? Is it really true that nowadays intervention into Poland's internal affairs by what is presented to us—justly?—as geopolitical realities or rights, is no longer possible?

The Air force, like the entire armed forces, will in the near future encounter many shoals and dangers. Of these

the most damaging seems to be the economic recession. Money remains scarce and the pressures on distributing the shrinking budgetary pie are rising. These concerns delimit the horizon of our vision and prevent—not only the pilots at that—thinking of future prospects. Yet, the future is ineluctably drawing near, and sooner or later we shall cross the threshold of a new and at present yet unpredictable situation.

With what? What rules to follow in face of such a variegated complex whole of matters awaiting resolution? Could a Polish-produced multipurpose aircraft be in the offing? Such a design is said to already exist. Would manufacturing it be profitable? Would "sinking" ultimately substantial funds in manufacturing a plane that by assumption is already inferior to its competition make sense? Of a certainty, there must exist concrete answers to these questions.

The fliers I interviewed suggested one other idea, although they are aware that most often the most desired results are the least probable ones. Why not try to acquire the American F-4 Phantoms? The United States is retiring them from production, and it will have to do something about the retired F-4's. Recently it transferred 120 F-4's gratis to Turkey. But Turkey is a NATO member and it borders Iraq.... Still, it would not cost anything to try. One hundred such aircraft could meet the most urgent needs of the Polish Air Force. And then the machines currently flown could be scrapped.

Other pilots too cotton to this idea. "Then the technological quantum jump would be made easier, because who among us at present is capable of operating, say, an F-18? In contrast, the 4-F is a much, much better plane than those we fly at present, and it has proved itself in the Gulf war too. Nobody has spotlighted them, but from what we see they accounted for about 30 percent of the aircraft of the Coalition forces."

The reality as seen from the flier's cabin, and outside it as well, is often depressing. These pilots would like some order to be introduced in lieu of that chaos.

The only pilots who at present remain in the Air Force are those who cannot live without flying, who are not ashamed of their words. In the end, they sacrificed for the Air Force much of the professional life recorded in their biographies. Will there be more hope for them in the future?

Prospects for Trade With Britain Discussed

91EP0707C Warsaw RYNKI ZAGRANICZNE
in Polish No 106, 3 Sep 91 p 8

[Interview with Romuald Szumiewicz, trade adviser in London, by Tadeusz Zielinski; place and date not given: "Polish Exports to Great Britain Are Growing"]

[Text] [Zielinski] Last year Poland's trade with Great Britain exceeded the record level of 1979, putting this

country in second place—behind Germany—among our Western partners. In your opinion, will this tendency be maintained this year?

[Szumiewicz] Judging from the official data that we have at our disposal, a slight growth in turnover is taking place in spite of the recession in the British market and the gloomy mood one senses in conversations with branch offices of Polish firms and companies active in this area. Were it not for these data, I would even expect a drop in turnover. However, I believe that the second half of the year will bring more definite growth. Specifically, I am counting on the trade of small private companies. Their trade is not included in the turnover registered by large and medium-sized companies. If one considers the avalanche of letters, faxes, and inquiries originating with small firms and private persons, then it is not at all impossible that in a month or two the growth in exchange will be even more distinct. One can therefore say that our exports are growing in spite of the recession.

[Zielinski] I would refer to my previous Belgian experiences. At that time the prevailing opinion was that if some product sold well on that market, it would thereby be assured of a chance in other markets. Are there products in relation to which success on the British market would be a sort of test for export in other directions?

[Szumiewicz] That is an interesting question, but the answer cannot be positive. Assorted products are sold here, sometimes with variable luck. For example, we once supplied Polonezes, which for a time were even sold to Scotland. But because of their quality, this did not last long. Recently we sold two ships and that immediately improved the export statistics in the electrical and machine products group. However, it is difficult to derive far-reaching conclusions from that. Only a product sold on a market such as that in Great Britain can have significance as a "test." On the other hand, it is worth remembering that many of our export products destined for Third World countries go through that market.

[Zielinski] Let's look at organizational matters now. In the past, the offices of the trade adviser were mainly branch offices of the central authorities, chiefly the Ministry of Foreign Trade. Currently, in the changing organizational reality, do you see a role for the BRH [Office of Trade Counsel]? And in what jobs can this post be considered difficult to replace?

[Szumiewicz] I think that the BRH is becoming the responsible link between the British market and the institutions of that country as well as between the Polish market and our institutions, not only between the Ministry of Foreign Economic Cooperation and its counterpart here. I have permission to work on behalf of all institutions and all departments that are interested in creating new institutional structures adapted to a market economy or working out suitable regulations. Consequently, we have a duty to supply all the information related to the inquiries we

receive and also to create such information on our own initiative. For the time being, that is what it has come to with this important part of our activities which is inherent in the name BRH, namely trade activities, or, the cooperative organization of trade and the inspiration of larger contracts. (Daily we receive scores of inquiries, mostly from British firms). I answer the question as to where we are irreplaceable this way: with regard to the diplomatic character of our post and the state authority that stands behind it we have easier access to certain British institutions than, for example, consulting firms or even the National Chamber of Commerce.

We believe that the profile of the BRH should change in the future. Greater emphasis should be put on promotional, informational, or representational activity and less on direct association of groups of interests, which even today takes quite a bit of time. Appropriate legislative decisions are apparently being prepared.

[Zielinski] You took over the management of this post recently. Aside from facilitating current matters, have you managed to find time to work out any long-range strategy of operating in this area?

[Szumiewicz] I must find time to think about the future, too, and not adapt myself excessively to the existing situation. We are now in a period of very intensive Polish-British contacts, but every two weeks I talk with the people who are both working to improve the office's internal flow of information and to obtain more information from British institutions. I would like to cause the range of information on how the British are preparing for the soon-to-be-announced unified European market to be broadened. I think that this is especially interesting for us and I do not believe we can depend solely on the news coming from Brussels on these matters. As for gathering information, great hopes have been attached to the installation of a modern computer, which is anticipated shortly. The computer will be connected to databanks here, such as the UNIDO database and the legislative database.

[Zielinski] I will now ask about something "pro domo sua" [concerning your area of interest]. How is cooperation with the National Chamber of Commerce being arranged?

[Szumiewicz] It is going well. We recently arranged a fair together: Intrade. The chamber supplied materials for the exposition, and we mainly undertook organizational functions. The next fair will take place in the fall. The organizer and coordinator is to be the National Chamber of Commerce, on the understanding that we, as co-organizers present in the market, would like to have an influence on the basic shape of this event. We believe that in the future the role of the chamber will grow on account of the planned creation of a Polish Trade Center in London.

I feel that this first period of cooperation—after "finding one another" and after the new people get to know one another—will lead to some sort of division of duties.

This is important, especially in contacts with British institutions. It is not a question of competing as "match-makers" for businesses, because ultimately this will benefit those whom we match, and we, as the BRH, will gladly convey relevant data if the need arises. However, in contacts with institutional partners there must be either joint action or a division of roles based on earlier agreements.

Chambers of commerce, of which there are many here, are the natural partners of the KIG [National Chamber of Commerce]. However, with respect to certain state institutions, such as the Ministry of Industry and Trade or the all-national Confederation of British Industry, a common line promoting Poland must be presented, and they must not be pelted with a profusion of questions. I think that in connection with the visit of KIG representatives that has been announced here, these issues will be "played to the end."

[Zielinski] Thank you for the interview.

Conditions for British Investment Discussed

91EP0707B Warsaw RYNKI ZAGRANICZNE in Polish No 104, 29 Aug 91 p 8

[Interview with Tony Rossiter, chief of the East-Central Europe Department in the British Ministry of Industry and Trade, by Tadeusz Zielinski; place and date not given: "We Are Encouraging British Investors To Get Involved in Poland"]

[Text] [Zielinski] Could you make a statement on the readiness of Great Britain to extend credits to Poland? As far as I know, your governmental institution for guaranteeing credits (ECGD [Export Credits Guarantee Department]) is mainly prepared to guarantee short-term loans, but not medium- and long-term loans, which concern us especially.

[Rossiter] You are right, but in the past the ECGD guaranteed nearly one billion dollars in credits to Poland, which have not yet been repaid. Recently, following the Paris Club's well-known decision to amortize about 50 percent of your country's governmental debt—a decision to which the British Government contributed to a great extent—the ECGD has been analyzing its position on guaranteeing new credits to Poland. This institution, however, does not have a political character. Rather, it operates according to strict commercial principles. It examines the economic statistics of a given country and evaluates the chances and risks related to its solvency. This is being done right now and I believe that in the future changes will take place.

[Zielinski] This issue has fundamental significance to the growing demand in Poland for modern machines and technology, and this demand is related to our plans for far-reaching industrial restructuring and modernization.

[Rossiter] I understand that this has to do above all with encouraging British investment in Poland. I can assure you that our government is doing a lot to encourage companies to invest. Aside from informational activities concerning, for example, changes in your legislation, we intend to provide financial support to those companies that are considering investment.

[Zielinski] Do you have in mind investments of the joint-venture type or direct investments in the strict sense as well, namely full capital participation?

[Rossiter] They can be of both types. Nevertheless, the current lack of a larger capital market in Poland constitutes a certain hindrance to the development of this second form of investment. In that regard you are a little bit behind Hungary. Your new statute on foreign investment is too recent, and we are therefore only now getting acquainted with it.

[Zielinski] What in your opinion should be done to better attract British investors, who, it is sometimes said, are frequently somewhat conservative in acquiring new markets?

[Rossiter] This is obviously a question of creating competitive conditions, convincing them of the many very favorable factors in your country—such as the inexpensive labor force, the expertise of the technical cadre, and legislation that is more attractive than that which exists anywhere else—and ensuring the unencumbered repatriation of profits. This last factor is especially essential.

[Zielinski] Perhaps this also is a question of Poland's place in the so-called credit rankings?

[Rossiter] I do not believe so. Political stability and the economic situation at a given moment count most of all, and the individual situation of a particular enterprise or venture into which capital is to be steered counts above all.

[Zielinski] You spoke of the necessity of creating competitive conditions. This is obvious, but, as Minister M. Szumiewicz correctly noted in my interview with him, this competitive aspect in attracting British investment is proceeding on both sides. It has to do with the fact that Poland has already become an area of competitive struggle between foreign investors and that in a year or two this competition will become very intense. It is not a matter of direct investment but of proceeding with introductory analyses prior to making decisions. Those who are first will win, and those who come late will lose. Minister Szumiewicz can give many examples of British companies that are still pondering whether to open an information office in Poland, whether to set up a branch office, and so forth. Meanwhile, companies from Japan, Germany, and other countries have already made such decisions. Consequently, one can count on the fact that in a few years our market will be dominated by them.

[Rossiter] I share that view. However, I can repeat my assurance that our institution, as a government agency, does a great deal to encourage investors to put capital to

work in Poland. In the course of the last 12 months, we have done a lot to improve our information on Poland's economy. We are organizing seminars, publishing bulletins, and, most importantly, we are providing financial support for research on the practicability of investment projects (so-called feasibility studies). Of course, we cannot force anyone. A certain difficulty consists of the fact that in your country changes in the regulations take place often. This makes it difficult to keep one's finger on the pulse.

[Zielinski] Thank you for the interview.

Trail of Amphetamine Production: Cost, Profits
*91WD1204A Warsaw GAZETA WYBORCZA in Polish
9 Sep 91 pp 12-13*

[Article by Irek Dudziec: "I Go on an Amphetamine-Buying Trip"]

[Text] Narcotics are the highest form of criminal activity and they yield the greatest profits.

I decided to buy domestically-produced amphetamines. I began to look for contacts among the young people from one of the correspondence high schools in Warsaw. My acquaintances have assured me that they are not interested in taking them, but they know who the dealers are and they will set up a meeting with them.

Andrzej, who prefers to buy marijuana in Holland, told me: "During the vacation period the powder did not sell. I heard that the fellows did not have a warehouse and business came to a standstill."

Andrzej promised to get more detailed information for me.

The Man With the Goods

The next day, in one of Warsaw's pubs, I received the information that a man with the goods would be around in the evening. Before the meeting took place, my acquaintance had to speak with his colleague and he in turn had to speak with another colleague. Finally, a young man in a black leather jacket came up to me. He led me to the storage area of the bar. In dim light, between empty boxes and cartons, he took out a pouch/wallet holding the goods in portioned amounts.

The dealer told me: "Let me say right from the start that prices have gone up. The risk is greater and greater. They are rounding up packages containing BMK [benzenomethyloketone], a basic element in production, at the borders, and the police are nosing around us more and more often. But the speed is good. Decide quickly, for this is the end of the lot."

He offered me a "double" (two pieces, or 0.2 grams) for 300,000 zlotys, or everything (four "doubles") for a million zlotys. The portions of amphetamine were

packed in aluminum foil. The dealer advised me which portions to choose, after which he unwrapped them and I saw a white powder.

He said: "I guarantee that this is good stuff. I take it myself. If you are taking speed for the first time, I suggest that you sniff it through a straw. Don't inhale in a rolled up bill because too much powder always stays on the bill. If you want to, you can try it on the spot."

I asked the dealer about the producer.

"The fellow is 19 and he has a plant in his home. In June he was short on BMK and he went on a vacation. What you have is what's left from June.

"Am I afraid to sell the stuff? I can have kilograms of it on me. At most they will take me in and photograph me at police headquarters. Only a customer can get me into trouble. If he says that he bought amphetamines from me, I'll probably go to jail."

Two Flasks, a Cooler, and a Thermometer

The next day I tried the amphetamine I had bought.

Commissioner Z.O., formerly a specialist in narcotics affairs, said that my amphetamine was impure. She said that the powder was yellowed and lumpy. It is supposed to be white crystals and as powdery as flour. She said she would not advise anyone to use this amphetamine. Polish amphetamine generally has a good reputation. The Interpol laboratory in Sweden, which did studies, found it to be pure. Apparently I had run across an inferior producer.

Z.O. told me: "I am supposed to confiscate your amphetamine and file a report. Amphetamine possession is prohibited, although it is unpunishable. In accordance with the law on preventing drug abuse, I am bound to seize narcotics."

The commissioner thought that the powder came from a home laboratory.

She notes: "Once a drug addict whom we arrested wrote a handbook for us on amphetamine production. The technology is simple: You need only two flasks, a cooler, and a thermometer, and one person who must ensure that the right temperature is maintained."

"Producing amphetamines, or phenylisopropylamine, is not an art for the average chemist," confirms the chief technologist from the Warsaw Polfa plant.

Contraband Using Salicyl Bottles

Most of the production elements of amphetamine can be bought in Poland. Only BMK, a transparent liquid with a sharp odor used in the West for cosmetics production, must be imported.

It is smuggled in primarily from Austria and Germany, where just recently permission to purchase became necessary. This year the police confiscated several canisters

of BMK. On the other hand, it is difficult to seize a small amount that is smuggled in, for example, BMK in salicyl spirits bottles.

"In Poland home production plants for amphetamine are often located in block housing. Meanwhile, in the West, laboratories that produce amphetamine on a large scale must be located out of town, since the compound is very explosive at a certain stage of the chemical process. A police raid on such laboratories must take place within a few seconds, otherwise everything will escape into the air and there will be no proof," said commissioner K.P., from Poland's Interpol plant.

"We have just detected a legal, private laboratory in which amphetamine is produced in addition to other compounds. It is not known on what scale. By the time the police got there, the plant was closed."

On the Yellow List

Warsaw's Polfa plant produced amphetamine until 1976. Tablets and ampules on an amphetamine base were called psychedrine. On the international WHO [World Health Organization] so-called yellow list they were classified as "IP," or strong psychotropic medicines. In the mid-1970's, the careless prescription by doctors of amphetamines for their patients led them to dependency. Physicians advised students to used several tablets of pemoline before exams. Ritalin was given out to sports participants, women who wanted to lose weight at any price took phenmetrazen. All of the related psychedrines act as stimulants and curb the appetite. They rapidly lead to physical dependency and destroy the organism.

A Piece for a Hundred Thousand

"We apprehended our first amphetamine producer three years after psychedrine was withdrawn from the drug stores," says commissioner Z.O. "From the beginning it was an expensive narcotic. One gram (10 doses) cost 10-12,000 zlotys in 1979—far more than the average monthly wage."

Today a piece costs from 100,000 to 150,000 zlotys. For this reason, the vast majority of amphetamine is exported. Friends told me that amphetamine costs upwards of 100,000 zlotys per gram from producers, or one-tenth its cost when purchased through a dealer. There are dealers who buy amphetamine for 100 million zlotys. In order to get into this business one must bring with him a suitcase full of money. The competition between dealers is enormous.

According to A.D., from the Department for Narcotics Affairs of the Main Police Headquarters, the strict control of poppy cultivation may soon lead to an increased interest in amphetamine on the domestic market.

Amphetamine became a very big subject three years ago, when police in Hamburg caught two LOT [Polish Airline] pilots in the act of smuggling it.

Commissioner Z.O. says: "My hypothesis is that someone from so-called big (but not completely legal) business smelled big money. He hired a staff of chemists and ordered them to make amphetamines."

A.D. from the Main Headquarters indirectly confirms this hypothesis: "This is indicated by the large amounts of Polish amphetamines confiscated by Western officers, packets of 17, five, and three grams. One kilogram is worth \$10,000-15,000 in the West, depending upon its purity. Such amounts cannot be produced in a home laboratory. A lot of money can definitely be made on amphetamines."

Who Is Afraid of Prison?

"We are helpless in the face of Polish regulations," says A.D. from the Main Headquarters. "In Sweden and Germany one goes to prison for several years for possessing even a small amount of narcotics. In Poland we can only confiscate the narcotics and we let the purchaser go free. In the West a police officer buys the stuff and his fellow officer apprehends the dealer, who leads them to the producer. If we did this we would not have a problem with amphetamines, except that such action is called provocation and I would sooner go to do time than to deal in drugs."

Privatization of Beer Factories Under Way

91EP0707A Warsaw RYNKI ZAGRANICZNE in Polish
No 104, 29 Aug 91 p 8

[Article by (baj): "Best Breweries in Polish Hands"]

[Text] The strengthening of the Polish beer-brewing industry, an improvement in the quality of beer produced, an increase in variety, and changes to restructure some breweries—these are some of the effects that can be expected following the privatization of the beer-brewing sector in our country. Neglect in investment caused the production facilities of many enterprises to be decapitalized 60 to 70 percent.

The beer produced in Poland is of low quality and durability. Because of the lack of a distribution network, it was consumed chiefly in the area where it was produced. The Polish beer industry has crumbled. There are 24 enterprises consisting of 78 breweries. Small units predominate. Just five produce over 500,000 hectoliters (hl) of beer annually, and 45 breweries produce less than 100 hl. This has a bearing on productivity. For comparative purposes, it is worth noting also that in our country 124 persons are needed to produce 100 hl of beer, while

in Denmark 55 are needed, and in Germany 58. Consequently, there is much to be done in this branch, and privatization is supposed to enable the reforms to be accelerated.

The transformation process has already begun and, according to representatives of the Ministry of Ownership Transformation [MPW], it is going well. The Sankt Annea Bank from Denmark was one of the first Western investment banks to join in the process of Polish privatization. It is a member of the International Association of Capital Markets. In order to serve the Polish breweries that are being transformed in the privatization process, the Sankt Annea Bank created a consortium made up of, among others, Rir Revision (an auditing firm from Denmark) as well as legal firms and attorneys' offices.

The privatized units are divided into three categories, each of which will be provided with operating methods and techniques appropriate to its situation. Enterprises that have many plants, and which as a consequence are the best and can be privatized within their existing organizational structure, are included in Category I. They will first be transformed into individual companies belonging to the State Treasury, and then their stock will be sold in a public offering. Category II includes enterprises that are considered to be on a medium technical and managerial level. They, too, will first be transformed into companies belonging to the State Treasury, and then their stock will be sold at auction or through negotiations conducted on the basis of invitations. Multi-facility enterprises that have been decapitalized to a great extent are included in Category III. It is anticipated that they will be privatized through liquidation.

So far, the breweries in Zywiec, Elblag, and Koszalin have been privatized. "Zywiec" stock has succeeded on the market, but the Elblag plants have entered into a joint venture with an Australian partner. The plants in Okocimie, Tychy, Lezajsk, and Wroclaw are individual companies belonging to the State Treasury that are in the process of preparing for privatization. With the exception of the brewery in Tychy, they still have a chance to be privatized this year. Moreover, the privatization work is continuing in 11 other beer-brewing plants and has advanced to various degrees.

The interests of the privatizers are not always in accord with the opinion of those being privatized. The employees, worker councils, and management of privatized plants have repeatedly not given their consent and instead have offered their own proposals. That is what happened in the Warsaw Brewery. There, it was decided to form an employee-owned company. Next, the Gdansk Brewery did not obtain agreement to a joint venture. The MPW wants to link increased capital to partial privatization and does not consent to the practice of taking over the profitable part of the plant and leaving the rest to the State Treasury.

The matter now stands in a similar fashion with foreign capital, which is interested in the best breweries. So far

the "brand name" enterprises have been reserved for Polish entrepreneurs. This has to do above all with the improvement of the condition of plants and with the preservation of Polish brands and company logos.

This does not mean that foreign capital is viewed with distaste here—just the opposite among the smaller breweries, which are in a worse situation and in need of

financing. Steps have already been taken in this direction, and they are in themselves a certain achievement. However the MPW cannot for the time being give out information about them. Foreign contracting parties are making that stipulation.

If the tempo of privatization of this branch is kept up, then it has a chance of finding itself at the forefront of the most rapidly privatized enterprises.

Opposition Leaders Debate Croatia's Defense

92BA0006D Belgrade *BORBA* in Serbo-Croatian
17 Sep 91 p 4

[Article by S. Modric: "Unanimous Criticism of Tudjman"]

[Text] Zagreb—The coordinating meeting of the opposition parties in Croatia, whose topic yesterday was defense of the republic, was interrupted about an hour and a half after it began by the siren that signaled the beginning of the air raid alert in Zagreb. Nevertheless, this meeting indicated as much as was necessary the lapses which have been recurring constantly in organizing Croatia's defense, and in particular the harsh criticism related to unanimous criticism of President Tudjman, of whom it is said that he has unconstitutionally taken over the entire defense of Croatia and internal security into his own hands.

Ivan Gabelica of the Croatian Democratic Party [HDS] said that many lapses are visible in defense of the republic even in spite of the warning that in defense decisions must be made by a unified leadership, that is, by the general staff, or as it is still called—the main pivot. Such a body still does not exist, and it is to this that Gabelica attributes the "fall" of Hrvatska Kostajnica and certain other Croatian towns. Gabelica was particularly harsh in saying that the president of the republic had taken over all affairs pertaining to defense, and thus had himself been making decisions on the number of personnel and internal arrangement in the Ministry of Internal Affairs and the National Guard, and, in spite of numerous warnings from the opposition, and indeed in the face of a clear agreement that the ruling party signed with the opposition parties when the democratic unity government was recently formed, and is still not taking away the immense powers from the Supreme State Council, which, the opposition leaders say, is a completely unconstitutional body.

The decision on formation of the Supreme State Council stated that this "advisory" body, which is actually a body of government, would include the prime minister and also the president of the Croatian Assembly. Thus, says Gabelica, the prime minister and president of the Assembly are drawn into the utterly undignified role of advisers to the president of the republic. Gabelica also asserted that the president of the republic is also deciding on who will be members of the crisis command centers, the upshot of which is the fact that the membership of the command centers by no means represent the best forces which Croatia has.

Speaking about the surrender of the Croatian forces in Kostajnica, Gabelica said that those 300 men were well-armed, but it seems they had to surrender because they did not have food and water, and that leads Gabelica to the conclusion that Croatia is losing territory not only because of the shortage of weapons, but also because of the extreme irresponsibility of public employees. He demanded, and this was also one of the conclusions of the opposition bloc, that all defense

affairs be transferred to the government of Croatia, whose activity will be under the oversight of the Croatian Assembly.

Ante Paradzik of the Croatian Law Party, said that the results of the war in Croatia are disastrous for the republic. He demanded that the Army leave Croatia entirely and not merely withdraw into garrisons, which is what Tudjman and Mesic have constantly been demanding. This proposal from Paradzik was taken up by the opposition leaders as one of their conclusions. Nikola Plecas of the Party of Croatian Socialists said that in many centers of Croatia territorial defense had finally been activated, but it was still not known how those units would function, nor has there been any real benefit from them.

Mentioning the campaign to take weapons away from the JNA [Yugoslav People's Army] in Ploce, Plecas says that there are indications that arms are being privatized, and he demanded that these rumors be investigated.

Certain other participants in yesterday's discussion pointed to similar cases, asserting that the Croatian government has not stopped bribery, corruption, and smuggling, nor wartime usury. Gabelica, for example, reported that there is a great deal of talk about the smuggling of arms within government agencies, and he mentioned the example of Zadar, which he could not prove, but "where there is smoke there is fire." That is, it is said that a shipment of arms which arrived in Zadar for members of Croat defense forces were distributed in such a way that some were issued to fighters, and some were sold on the black market. Because of such indications, the demand was made yesterday that the Croatian authorities form a commission consisting exclusively of representatives of the opposition to put an end to such occurrences.

Zvonimir Nikolic of the HDS proposed that the opposition call upon the Serbs in Croatia to clearly state whether they are in favor of the defense of Croatia, which is also their homeland, or they are on the opposite side, and the other representatives of the opposition parties supported this and made it into a conclusion. Nikolic also said that a commission should be formed in Croatia to draft a proposal for a kind of Croatian Marshall Plan, because people whose homes and farms have been destroyed must know that the state will offer them material and moral support.

Some participants in the debate demanded that an appeal be made to the "Fortress of Love" to continue with the job it began, but Dr. Ivan Cesar of the Croatian Christian Democrat Party explained that the mothers in the "Fortress of Love" are refusing any cooperation with the opposition parties, and that therefore they should not meddle in their affair. Cesar said that his party was organizing a visit of the "Fortress of Love" to Brussels, but when Cesar stated this publicly, "the ladies all beat me up."

One of the conclusions of yesterday's meetings has to do with a demand addressed to the government of Bosnia-Hercegovina [B-H] that it make B-H a demilitarized zone, which would not only prevent attacks from that republic on Croatia, but would also guarantee the neighboring republic a more reliable future.

[Box, p 4]

Shame Before the World

Slobodan Lang of the Croatian Peasant Party complained that legal procedures are not being conducted in Croatia, which shames this republic in front of the world. The example he gave had to do with the silence of the authorities and investigating agencies concerning the murder of Rajhl-Kir, a high police official in Osijek. Lang said that the government must assume the obligation that it will "at least submit its resignation" if Dubrovnik should be occupied and destroyed.

He called upon Fra-Duka, a priest who occupies a high position in the Croatian government, to give up concerning himself with affairs of war, and he criticized organizers of visits by entertainers and cultural figures to members of the Guards for organizing revels with roast ox and suckling pig in these extremely difficult times.

Lang also demanded that the opposition establish a committee to protect human rights, because a committee for that purpose in the Assembly is led by members of the ruling party, which according to Lang is not the case anywhere else in the world.

Strategy of 'Road Terror' Against Croatia

92BA0015A Zagreb *GLOBUS* in Serbo-Croatian
13 Sep 91 p 5

[Article by Mladen Klemencic: "Strategy of Road Terror"]

[Text] Transportation routes play a large role in the life of any state. For Croatia, internal transportation connections have exceptional and decisive importance because of the bizarre shape of its national territory. Croatia's endurance in every respect is based on interpenetration and exchange of goods, services, people, and ideas between the Pannonian interior and the front side on the Mediterranean, separated by the mountain region, which has to be crossed. Any disruption of that trinity in Croatian life, which in peacetime is a great resource and advantage, is a painful blow difficult to offset. Transportation routes are Croatia's jugulars, all the flows which make the life of the entire organism possible circulate along them, and all parts suffer equally from any interruption of the flows.

Croatia's enemies in the war are also aware of all this.

Because one of the obvious weapons in the war against Croatia is to exhaust its economy, a transportation blockade is a highly effective device. The subsequent chain reaction is automatically guaranteed. When

normal transportation is frustrated, Croatian tourism is also ruined, for which this season provides the best evidence. The absence of earnings from tourism is causing a shortage of foreign exchange necessary for other branches and...the circle is immediately closed.

The War for the Transportation Routes

Aside from inflicting economic damage, transportation blockades essentially weaken Croatia's defensive capability as well. The territory is divided into several parts with weak or no connections between them. One of the occupier's particular objectives is to separate Zagreb from the other parts of the republic. It is assumed that the defense of Vukovar or Osijek will be easier to break down if those cities are completely cut off from Zagreb.

Incidentally, war was declared against Croatia last summer precisely by the hindrance of traffic in vital directions. Since that time, the list of unsafe or completely unusable transportation routes has been increasing with every passing day, and drivers and vehicles have been redirected along increasingly round-about routes.

Knin, one of the most important of Croatia's transportation junctions, was the first to be erased from the transportation map. The blockade of Knin completely interrupted the rail connection between Zagreb and Dalmatian ports and also one of the highway connections between Zagreb and Split. After the blockade of Knin, highway traffic between Zagreb and Split went via Plitvice and Zadar. That highway was soon blocked as well, and for a time traffic was directed via Gospic and Karlobag. Nor was that route safe for long, and it became advisable to take the good old "Jozef Highway" to Senj and then zigzag in and out of all the coves and inlets under Velebit along the Adriatic Highway.

Even that route is no longer safe today.

The "Jozef Highway" has already been closed several times because of incidents, and the Obrovac terrorists, probably with help from the Yugo-army, have directly threatened even the Maslenica Bridge, the last little thread firmly connecting central and southern Croatia. Most drivers, either because of the blockades or out of fear, go from Zagreb to Split today via Rijeka, along the Adriatic Highway to Prizna, from there they take the ferry to Pag and thus detour around the Maslenica Bridge.

We have thus been hurled back 30 years.

That is, it was in a similar way that one traveled from Zagreb to Split in the first half of the 1960's, except that instead of the ferry to Pag, one took a ferry at Sibenik to cross the Krka River before the bridge was built (today there is a bridge there, which amazingly is still untouched). Except for taking on a time-travel dimension, the trip from Zagreb to Split has by force of circumstance become a kind of pilgrimage "through our

beautiful land," because one must travel through a major part of Croatia to get where he is going.

Travel as a Pilgrimage

The example of the Zagreb-Split trip is one of the most drastic, but the situation is not very much better, nor the damage much less, on most of the other transportation routes in Croatia. The state of the highway network at the moment has been shown in detail on the map. All the transportation blockades of main routes are marked where traffic has been reduced to a barely tolerable threshold. In addition to those which are marked, numerous local routes have also been blocked, something it was not possible to show entirely on the map.

For the present, traffic from Zagreb, except to the outside world, moves most favorably only in the direction of Rijeka and Istria, via Gorski Kotar. Because all the transportation routes through Lika are unsafe or completely unusable, that region, the most important for transit, has been completely eliminated from the Croatian transportation network. All transit between the coast and interior is forced to go via Gorski Kotar. For connections between southern Croatia and Zagreb, this is a long detour and increases costs many times over.

Meanwhile, there are two sensitive points between Zagreb and Rijeka. First of all, there is the Karlovac transportation junction, largely already "mutilated" by blockades up to this point. As the area of conflict has moved closer to the immediate vicinity of the city, a complete blockade of Karlovac is now threatening. Srpske Moravice, which has a small group of Serbs whom the terrorists, using a scenario tested many times, can always use and abuse, could become a weak point.

The Maslenica Bridge has already been proven to be a sensitive point on the Adriatic Highway, because it has already been shelled. It should also be pointed out that the conflict areas in the hinterland of Zadar and Sibenik are very close to the section of the Adriatic Highway between those two cities, and the possibility of commando action should not be precluded in that section as well.

Brotherhood and Unity Has Been Severed

Nor is the situation much better in the Pannonian section of Croatia. Highway and rail traffic between central and eastern Croatia is possible only by the so-called Drava route. The more favorable Sava route, which mostly has an up-to-date limited-access highway (the "Brotherhood and Unity" Highway!) has been blocked near Okucani and is not usable at the moment.

The fierce conflicts of Croatian defense forces with the terrorists and the Army which are taking place right now between Novska and Nova Gradiska are in large measure a battle for transportation routes. The opening of conflict areas in this part of Croatia is a deliberate attempt on the part of the occupier to sever Croatia's transportation artery at that point, and then, using the

Pakrac-Daruvar region, which is already destabilized, to broaden that front northward, all the way to the Hungarian border, in order to block the Drava transportation corridor. It is clear to everyone how disastrous achievement of the occupier's objectives would be for Croatia.

In such a situation, it is extremely important that Croatia maintain control over the Drava transportation routes. Only in this way is it possible to maintain some kind of connection between Zagreb and Osijek, that is, between central and eastern Croatia. That is why a sensitive area is marked along the Drava route on the map, where one can expect an attempt to attack and cut off traffic. This is the rather broad area of Virovitica and Podravska Slatina.

The map also shows schematically the possibility of linking the various sections of Croatia by means of transit through neighboring states. These are certainly possibilities which could come into consideration only in extreme necessity. Zagreb can be connected to Rijeka and Istria by rail and highway via Slovenia. The railroad line to Istria in fact does take that route.

Even Herceg-Bosnia Is Under Occupation

Zagreb and Osijek can be linked via Hungary, and eastern and southern Croatia can be connected through the valleys of the Bosna and Neretva via Bosnia-Hercegovina. There is a question, however, how long the possibility of transit through Bosnia-Hercegovina will remain open?

If that republic were a legal state in which an elected government functioned in regular fashion and controlled the entire territory, Croatia would be in a far more favorable position, including the transportation aspect. The way it is, with immense areas of Bosnia-Hercegovina controlled by self-styled "communities of opstinas," Croatia has in this neighboring republic anything but a reliable neighbor and possible ally. If Bosnia-Hercegovina were functioning legally over its entire territory, it would have to be considered a belligerent, because formations of the occupying army reach Croatia from its territory, the terrorists in Croatia receive logistical support from there, and the occupier is using transit through western Bosnia to maintain links between the otherwise separated parts of Croatia that are occupied.

Unfortunately, the very ones who are warring against Croatia, the Army and pan-Serbian terrorists, have de facto blocked and occupied Bosnia-Hercegovina as well. To blame that on Alija, who is obviously helpless, or to ask him to put a stop to it, would make no sense at all in the situation that prevails. Therefore, Croatia cannot rely on Bosnia-Hercegovina as a possible alternate transportation route.

It is also uncertain to rely on maritime connections between the northern and southern Croatian coast. The naval forces of the Yugo-army have already been put in a state of readiness, and Croatia simply has nothing with which to resist them at sea. It is paradoxical, but true,

that Croatia, which in its early history, in the time of King Tomislav, for example, was even a great maritime power, and even later could boast of a maritime tradition, is able to offer the least resistance in the present war precisely at sea.

Logs Even in the Air

Nor has air traffic been spared.

Flights are irregular, and some airports have been closed temporarily. The war makes every flight more risky, which makes insurance premiums more expensive, and any kind of economic calculation becomes pointless. The other day, Croatia's central airport, Pleso near Zagreb, was first closed because of the affair with the Ugandan aircraft, and then it turned out that landing on its runway was so expensive that even Croatia Airlines was forced to move its flights to Maribor.

The uncertainty of air transportation is also influenced by the fact that the civilian airports at Pula, Zadar, Split, and Zagreb accommodate not only civilian aircraft, but also military aircraft, that is, hostile aircraft. The Air Force has already confirmed its propensity to air piracy in its deeds.

The blockade of transportation routes heralded commencement of the conflict in Croatia, and the problem of transportation connections is one of the difficulties that has constantly accompanied Croatia's defense. It is not just a question of supplying defense positions of Croatian military deployments, but the Croatian economy, i.e., what is left of it, which is dependent on transportation in every way. The fight for free Croatia, then, is largely a struggle for free transportation routes.

The blockade of transportation routes is causing Croatia immense damage on the domestic front, in both its defense and economy, but the losses on the international side are also long-term and will be difficult to offset.

It is quite clear that under present conditions Croatia cannot be used for the transit traffic of Europe transportation flows. They are now traveling by roundabout routes, and once they have been diverted from Croatia, it will be difficult to get those flows back into their previous routes. That is why the consequences of the war in the transportation field will be felt for years to come, even after the present crisis is resolved once and for all. Because transportation has a decisive impact on the entire economy, the losses which have already occurred and which have yet to occur through the deliberate strike at transportation in Croatia are difficult to measure. Croatia will not have anyone to whom it can present the bill for the damage incurred, but will have to take it upon itself, as has happened so often up to now.

Volunteer Units of Croatian Law Party

*92BA0006A Zagreb VJESNIK in Serbo-Croatian
15 Sep 91 p 13*

[Interview with Dobroslav Paraga, president of the Croatian Law Party, by Gordana Grgas in Zagreb; date not given: "Paraga: Croatia Is From the Sutla to the Drina!"]

[Text] When we came for the interview with Dobroslav Paraga, president of the Croatian Law Party [HSP], at the very entrance to the party's headquarters in Senoa Street we saw a dozen men in uniform carrying soldier's backpacks going in and out of the building with the appearance of working there. We think, then that these are those who are "prepared for the homeland," which have been so much talked about, but on the quiet. Trim and wearing red berets, the sentries at the entrance to the party's headquarters and the others, visibly tired, looked as though they had just come back from the front. And along the way we overheard that they had come from positions in Topusko. They had two foreigners with them in uniform; military experts who had been scouting the terrain.

It is rather crowded in the offices of the HSP, cardboard boxes are everywhere, full of varicolored uniforms, medicine, there are even weapons on the desks. It looks for all the world like a wartime staff headquarters. The perfect lead into our interview with the president of the HSP-ers.

[Grgas] Members of the "Croatian Defense Pledge" [HOS]—they had the HOS emblem on their uniforms—are operating within the National Guard Corps [ZNG].

[Paraga] Formally, our units are in the ZNG, but exclusively under command of HSP members.

The Emperor Has No Clothes!

[Grgas] What kind of party army is it? They even refer to it as the HSP legion. Why and how did you establish it?

[Paraga] In seeking complete independence of Croatia as a state, we have been insisting on the position that this cannot be achieved without our own armed forces, without recognition of Croatia as a state under international law, that is, without the attributes that constitute a modern state. After listening to the ruling party and its president Franjo Tudjman when they spoke about a sovereign and free Croatia, our answer has been that that is not the truth, that the "emperor has no clothes!" One of the main obstacles to arriving at freedom and achievement of the sovereignty of the Croatian people, we have said, is the JNA [Yugoslav People's Army]. Sovereignty is an illusion because there are at every step those who are enforcing the occupation of Croatia, which has lasted since annexation of Croatian territories by the so-called Kingdom of Serbs, Croats, and Slovenes, and later by Tito's Yugoslavia.

Following the events in Knin last year, we issued a warning that a general strike of the entire Croatian

people must be organized, and a nonviolent uprising called in order to prevent the evil initiated from Belgrade from spreading all over Croatia. We were against the new constitution, which would hold Croatia in a subjugated status, federal or confederal, into the future, and we have been waging an uncompromising struggle to create the Independent State of Croatia [NDH] in opposition to creation of an expanded Serbia. Our opponents refer to this as expanded Croatia, but this is not expanded Croatia, but Croatia from the Sutla to the Drina and from the Drava to the Adriatic Sea. We have been stressing the right of the Croatian people to say whether they accept an alliance or an independent state of Croatia, and the HSP, bypassing the Croatian authorities, has collected a million signatures in favor of the NDH. On 13 June, we proclaimed it in Ljubusko, and we said that it is occupied and we would organize its liberation.

We have organized the training of volunteers of the HSP from the homeland and from abroad. We have been equipping them, and they are now to be found in many areas where Croatia is being attacked. When we started our detachments, our feeling was that in this way we would become the shock troops segment of Croatian defense, because the government has poorly organized it. We will lead the Croatian people to triumph, and this will have to be acknowledged by all those who are today painfully putting up with the kind of resistance Croatia is offering. I am referring both to the EC and many international factors which bear the principal blame for the position of the Croatian people and the other non-Serbian peoples in Srbslavia.

[Grgas] What is the strength of the HSP units? There is talk of about 10,000 of those who are "ready for the homeland." When did you become part of the ZNG?

[Paraga] The number of members is growing constantly, it is difficult to speak about the total number. We cannot take everyone who wants to join. But we have records on where they are. Our units are mobile, they go to the worst hotspots. The members of the HOS are armed with light weapons, but also antitank and artillery guns, and soon they will have antiaircraft weapons as well. Their motivation is high, all the members act as one, regardless of where they come from. Our only handicap is that we are not a state, so that it takes great efforts for us to equip and train people for combat.

Our people have been in ZNG units from the outset, some have been there more than a year and issued warnings about the lapses in defense to which no one has as yet responded, and immense resources intended for defense of Croatia have been misappropriated. This is something circulating like a public secret, and it deserves to be investigated. We are talking about several hundred million dollars. We intend to turn the material on abuse over to the public prosecutor when we get rid of the fifth column element.

[Grgas] How much does it cost to equip and train a soldier? Where does the HSP get the money for weapons and training?

[Paraga] A single mortar costs 12,000 German marks [DM]. When a single squad is furnished everything necessary, it turns out that about DM10,000 have to be set aside per member. We have worked on preparations for a long time, and we have committed all the potential in the homeland and the world to arm the units through our own channels. And wherever possible, we will be taking weapons away from the JA [Yugoslav Army].

[Grgas] At a recent meeting in Jelacic Square in Zagreb, you called for mobilization, for an uprising. Is this not an attempt to bring down the government?

[Paraga] In defending Croatia, we are bringing down all those who are not taking part in the defense of Croatia. I appealed to the Croatian people for an uprising because the government did not want to do this. We do not recognize any false truce. What kind of peace does the EC offer? To put observers on the borders of the present expanded Serbia, where the Yugo-soldiery is deployed. We will not accept that kind of peace. When we say that we will be like Ireland or Lebanon, we are saying what we really think. We call upon Europe to help us in armament so that we can defend ourselves.

The European observers have come against their will because of the great destruction and casualties. They were forced to come. They know perfectly well who the aggressor is and who the victim is, who is armed and who is the attacker, but they are captive to certain of their own cliches and their own errors against the Croats, Albanians, and Slovenes, against all the non-Serb peoples in this region. Back in 1989, they recognized Serbia's occupation of these areas, and they do not want to recognize that they made a mistake, that they should not have accepted the acts of annexation dating from the time of Aleksandar Karadjordjevic. Worldwide freemasonry is also mixed up in all of that, having created both the first and second Yugoslavia, and now it wants to impose a third. But no one is going to stop the Croatian people in its march to freedom and independence. We will be victorious against the expanded Serbian empire, and they will have to recognize the Croatian state within its true borders.

[Grgas] What connection is there between you, the ideology of the HSP, and Ustashism?

[Paraga] Those who are today passive in the defense of Croatia, and they have labeled us to be fascists, let them know that they are inflicting the greatest harm on the Croatian people and Croatia. We have absolutely nothing to do with fascism, nor in fact did the Ustasha movement itself have any such ideological assumptions. The act of creating the Croatian state is not the same as the Ustasha movement, but the Ustasha movement and the people in it managed to renew the NDH. Vlatko Macek, leader of the HSS [Croatian Peasant Party], did not fulfill his duty to the Croatian homeland and did not

proclaim it when he should have, so this was done by Slavko Kvaternik. He should be paid the recognition due him as compared to the traitors of the Croatian people in the ranks of Croatian Communists. The NDH will exist again and it will not be stopped by any defamation or labels. The state is a form, but the type of internal form of the government is something quite different. It has to do with Croatian constitutional law.

[Grgas] And what about anti-Semitism, the atrocities committed in the NDH from its very inception?

[Paraga] That was a germ which brought that regime to ruin. Various statutes were applied from the beginning under the pressure of the German Nazis, and later with much greater care. That insanity of Nazism was only mildly reflected in Croatia. Yet many in the Ustasha movement were of Jewish descent or authentic Jews. Besides, many Jews were active members of the communist movement, and many were attacked on that basis, as Communists.

[Grgas] Are you conducting an extreme policy which is harmful to Croatia and to its affirmation in Europe?

[Paraga] The people in the HSP have a belief in their people, they know that the freedom and dignity of the Croatian people is protected only by relying on its own forces and power. We are worth just as much as any Frenchman or German, we do not consent to a gram less of rights. We pay no attention to labels. They say that I have been a fascist, and Ustasha, a rightwinger from my youngest years, and at the same time I have met with the world's statesmen, and no one told me that I am an extremist or a fascist. The world will recognize us whether it wants to or not, it will have to, because we will impose ourselves on it.

[Grgas] If official Croatian policy were to follow your ideology, would this not signify complete isolation?

[Paraga] Croatia's isolation could not be greater than it is now, by the very fact that they are allowing Croatia to be cut up and destroyed this way. Nothing is done, but a moratorium is adopted. We are now in maximum isolation, and we will do everything to break out of it.

[Grgas] How do you conceive that? What are your contacts abroad?

[Paraga] We are in contact with the American Congress, with the Western countries, with people who are willing to help as much as they can. But we do not pin our hopes on military aid. An alliance with nearby peoples who, just like the Croatian people, are occupied, is powerful, and no one can crush this anti-Greater Serbia coalition. There are large forces now concentrated on Croatian territory, they should be cut off from their rear in Serbia so that we can prevent them from conducting an offensive war. We will use all our forces and an alliance with the Albanians.

[Grgas] Is not a struggle for Croatia as you imagine it an imperialist war as well?

[Paraga] How can it be an imperialist war to liberate segments of one's people which has been occupied for 70 years?! This is a war for freedom. It would be an imperialist war if we conquered Serbia. But Serbia must know where its borders are.

Reaction to Serbia's Territorial Reorganization

*92BA0006B Belgrade POLITIKA in Serbo-Croatian
18 Sep 91 p 11*

[Article by Toma Milic: "The Okrugs Obey the Ministries"]

[Text] The ink has not yet dried on the decree of the government of Serbia concerning the manner in which ministries are to conduct their affairs away from their headquarters, and stormy reactions have been coming in from many regions and opstinas. In essence, all the objections can be reduced to two essential ones: that the territory of Serbia is too large to fit into just 14 okrugs, the number the government of Serbia feels to be optimum, and the second criticism is that "the seats of the okrugs have been incorrectly chosen." A storm is being raised in almost all the regions that have existed up to now, especially those which were not given the status of okrugs under this decree.

Unnecessary Debates

Protests are being lodged by the people from Smederevo, Sabac, Cacak, Vranje, and many other places. The Executive Council of the Assembly of Smederevo Opstina, for example, has expressed its dissatisfaction in 13 typed pages because Pozarevac, rather than Smederevo, was designated to be the seat of the okrug, arguing that the government of Serbia did this without the necessary consultations. It insists on amendment of the decree. Similar suggestions are also coming in from other regions and opstinas. In this political and economic crisis, once again, just like two months ago, money, time, and energy are being wasted unnecessarily by people trying to prove their own truth.

Dissatisfaction with the government decision of 23 August is growing. We asked Predrag Todorovic, justice minister, one of the authors of that document, whether the criticisms of the regions and opstinas are proper and will the government honor them?

There Is No Reason To Be Afraid

"There are quite a few objections to the number of regions and to the places designated as seats of the departments of ministries for performance of detached items of business within their particular areas of responsibility," Todorovic said. "However, people forget that the okrugs are not centers of authority and political power, but merely offices of the ministries working according to the guidelines of the ministers in particular areas and under the law."

Are the 14 okrugs, instead of the 19 originally proposed, sufficient to cover the entire territory of the republic?

The purpose of the government decree, Todorovic says, was to improve the effectiveness and efficiency of the government administration, while at the same time reducing the size of the staff between 30 and 40 percent on average, and also to allow citizens to exercise their rights and discharge their duties more directly. I must recall, Minister Todorovic said, that the Constitution of Serbia has stated that the business of government administration is to be done by ministries and that the republic may entrust some of its items of business or some of its powers to the opstinas, to enterprises, and to other organizations. The jurisdiction of territorial and local self-government is clear and precise. In adopting this controversial decree, the government merely stated more precisely the organization and operating procedure of the ministries. There is no reason for anyone to become angry, what we want is an efficient government.

The Okrugs Merely Carry Out Statutes

It seems that in the regions and opstinas they actually have forgotten that this decree provides that certain detached items of business be performed in the seat of an okrug for all the opstinas that belong to that okrug, while other items of business will be handled by a smaller number of civil servants at the level of the opstina, and finally, some items of business will be performed by the okrug civil servants only for a single opstina (market inspectorate). There will not, then, be standardized okrugs such as was the case with the regions up to now. The okrug departments will naturally have differing powers over the departments of the opstina administration and organizations of local self-government. There is no reason for fear because some city will now be the seat of an okrug.

Nor are there grounds for fear that any region or opstina will be neglected because they were regions and today they are not okrugs. The name okrug has been given provisionally to the individual regions. The okrugs are only organizational entities of the ministries, and their personnel will be employees of those ministries. The okrugs, it should be particularly emphasized, do not possess resources of their own and powers of their own, nor do they make any decisions with respect to the development of the particular region, but they carry out the enactments of higher authorities.

Responding to the question of whether these misunderstandings with the opstinas and regions would have been avoided if the problem of the okrug had been handled through normal assembly procedure—by enactment of a law rather than by government decree, Minister Todorovic said:

"The People's Assembly of Serbia took the view that there was no need to regulate the organization and manner of performance of detached items of business of ministries in a law, but the government had the right to decide how republic authorities will perform the work

assigned them. It is not unconstitutional to regulate this matter in a decree and in this fashion. On the contrary, it would be unconstitutional if these areas (okrugs) were defined as units in the administrative division of the republic and were assigned authorities such as those of the bodies of regional and local self-government."

[Box, p 11]

New Okrugs in Serbia

Preoccupied with more important matters, the public in Serbia the other day received almost with indifference the brief news item that the government of Serbia had adopted a decree on the way in which ministries are to conduct business away from their headquarters, failing to notice that this had to do with forming okrugs.

On the basis of the Official Gazette of Serbia just published, we are able to publish the names and seats of the 14 new okrugs, which is the number there will be in Serbia and the provinces. They are as follows: Banat Okrug with its seat in Zrenjanin, Backa with its seat in Sombor, Belgrade in Belgrade, Zlatibor in Uzice, South Serbian in Leskovac, Kosovo in Urosevac, Metohija in Prizren, Nis in Nis, Drina-Kolubara in Valjevo, Danube in Pozarevac, Raska in Novi Pazar, Srem in Sremska Mitrovica, Timok in Zajecar, and Sumadija-Morava in Kragujevac.

Configuration of New Serbian Borders

92BA0010A Belgrade *BORBA* in Serbo-Croatian
18 Sep 91 p 13

[Article by D. Milivojevic: "Serbia in the East and the West"]

[Text] Judging by talks given by two prominent Serbs delivered at two large national shrines last weekend, the Serbs are closer and closer to a definitive rounding out of what the national intelligentsia calls the "national program," and what political pragmatists also refer to as the "objectives of the war." First of all, at the opening of the 26th "Mokranjac Festival" the spiritual "father" of the generations of the Serbian people belonging to this generation, Dobrica Cosic, concluded that "after two centuries of fighting, the Serbian people as a whole, for the first time in its history, is attaining the ethnic, social, and spiritual self-awareness indispensable to the new era which is coming." A day later, Cosic's theme was restated in operational terms at the Vuk Festival in Trsic by Aleksandar Bakocevic, president of the Serbian National Assembly: "Before our eyes—with casualties, unfortunately, which we Serbs seem unable to avoid—a spiritual rallying of all Serbs is taking place, unity of Serbian spiritual space is being built, our strategy of spiritual unification of Serbs in Serbia, in Yugoslavia, and in the world is being realized...."

If "spiritual rallying" is some new term for the only Serbian alternatives ("Yugoslavism" or "unified Serbs"), it is quite irrelevant in the face of the fact that

since Sunday only two options for Serbian future are actually viable—"integral (federal) Yugoslavia" or "Serbia within its ethnic borders." Let there be no confusion: For quite some time now these options have been the dominant reference points of Serbian policy, but on Sunday—as Milan Paroski might say—the official stamp reading "Objectives of the war," which was so necessary, was placed on them.

We must expect, then, that the Serbian National Assembly will very soon set about the specific definition of Serbian boundaries for the simple reason that the immense majority of the people's deputies obtained their seats in Parliament on the wings of an affirmative answer to the question "Can you promise that all Serbs will be gathered under the roof of one state?" A cursory look at the programs of the parties participating in the government of Serbia shows which variants of demarcation are current.

Given political practice in the republic, it is best to start with the map of the Serbian Chetnik movement and the Serbian Radical Party [SRS], that is, with their creator, Dr. Vojislav Seselj, because—there is no longer any dilemma—the SRS leader is a reliable sign that the party in power will always think "approximately that way" after a certain delay. So, the future state of unified Serbs would be made up of South Serbia (Macedonia)—old Serbia (Kosovo and the Raska region)—East Serbia—North Serbia (from Banat, by way of Backa, Baranja, and Slavonia, to Banija)—West Serbia (Kordun, Lika, Dalmatia, and Hercegovina)—all of central Bosnia. The western borders would follow the line Karlobag—Karlovac—Virovitica.

This somewhat modified version of the thesis that the new state should include the "territories held by the Kingdom of Serbia when it entered the Kingdom of Slovenes, Croats, and Serbs" has an abridged version along King Aleksandar's "line of amputation" in 1928, with the western borders Virovitica—right bank of the Una—the Krka—Sibenik.

Given the balance of power in the Serbian Parliament, the cartography of Vuk Draskovic's "triune" Yugoslavia (Serbia, Montenegro, and Bosnia and Krajina) "which would not even hurt the Croats" does not have much chance.

It is more certain that the Serbian demands could nevertheless range along the lines offered during the Slovene-Yugoslav war by a Dr. Pavic Obradovic, vice president of the Serbian Assembly. Why? First, Obradovic uttered his demand for withdrawal of the JNA [Yugoslav People's Army] from Slovenia and Croatia (to the territories where Serbs are a majority) in the very first days of the war in Slovenia, when the Serbian government was still torn over whether to support the Army in its intention to remain in Slovenia. Second, Dr. Obradovic was the first, following the Macedonian referendum, to "notice" that there are also quite a few Serbs living in Kumanovo and the Black Mountain

region of Macedonia (Skopska Crna Gora). Confirmation of the thesis that the vice president of the Parliament is in a way the first harbinger of the thinking in the government, came very quickly—Serbia no longer believes it has reasons for retaining the Slovenes and that part of Croatia "which is theirs"; and as far as Macedonia is concerned—let us wait for the three-way meeting of Greece, Bulgaria, and Serbia in Athens.

What kind of final physiognomy is given to this "spiritual and (otherwise) rallying of Serbs" will also depend quite certainly on the "Muslim factor" in Bosnia (and the Sanjak). Which is why official Serbia has been so tactful toward the Muslims and was probably why the Serbian Parliament would be best satisfied with the "triune" federation of Serbia, Montenegro, and Bosnia-Hercegovina, but not with Draskovic's borders—but a federation reinforced by "Serbian ethnic territories."

Serbian Professor Advocates Regional Autonomies

91BA1073A Belgrade NIN in Serbo-Croatian 23 Aug 91
pp 36-37

[Interview with Professor Radmilo Marojevic by Veljko B. Buric; place and date not given: "United Serbian States"]

[Text] Dr. Radmilo Marojevic, full professor of the Philological Faculty in Belgrade and president of the Serbian Fund of Slovene Literature and Slovene Cultures, will soon publish a book titled *Cyrillic at the Crossroads of the Centuries: Essays on Serbian Ethnic and Cultural Self-Conscience* (a joint publication of CHILDREN'S NEWSPAPERS in Gornji Milanovac and of the Serbian Fund). We posed the following questions, as a framework for a conversation, to our partner, who is a philologist and political scientist by university training:

[Buric] Which vision of the resolution of the Serbian national question most corresponds to your ethnolinguistic findings?

[Marojevic] In this century we have had two unsuccessful attempts at resolving the Serbian question. In World War I, some Serbian politicians (Nikola Pasic, Stojan Protic) had a clear vision of the Serbian national program: creation of a Serbian state within the ethnic borders of the Serbian people. The Serbian intelligentsia, inspired with the Yugoslav idea, firmly resisted this. Thus, back in the beginning of 1915, Aleksandar Belic's book *Serbia and the Yugoslav Question* was published in Nis; in this book the realization of the Yugoslav idea, i.e., creation of a joint state of Serbs, Croats, and Slovenes, is proclaimed as a war goal of Serbia. It can be said that the Serbian leadership of 1918 had lost historical orientation to a great extent: It sacrificed the interests of the Serbian people in favor of an illusory Yugoslav idea, which was and has remained exceptionally anti-Serbian.

[Buric] Why didn't the second attempt to resolve the Serbian national question succeed?

[Marojevic] We have seen that the Serbian intelligentsia and the regent Aleksandar Karadjordjevic, who confided in it, bear the guilt for the first failure. All other conditions for the resolution of the Serbian question existed at the end of World War I, both external (the victory of the Allies) and internal (a strong liberation movement under Serbian leadership). The Serbian Communists (Bolsheviks) are guilty for the second failure, in the war of national liberation: They sacrificed Serbian national interests in favor of creating a communist idea based on the version of Marx and Engels, which the international Mafia skillfully imposed on the Serbian, Russian and some other peoples (primarily Orthodox). Although tragically divided, the Serbian liberation movement was also in a position this time to resolve the Serbian national question, but its leadership (the leadership of the wing that won) was not Serbian. Josip Broz acted in collusion with the Vatican and carried out, very perfidiously, the long-term strategy of the Catholic Church on Serbian ethnic territory. At that time Pavelic's Ustashi carried out, on a part of our ethnic territory, a naked "daily policy" whose tragic results are known to all.

[Buric] Does the Serbian question come into collision with the "independent state of Slovenia"? The opinion is very widespread in the Serbian public that the permanent secession of Slovenia in its present borders is in the Serbian interest.

[Marojevic] If the formation of the Kingdom of Serbs, Croats, and Slovenes had any meaning, then it is the attempt to preserve the ethnic and cultural particularities of the Slovene people. But this didn't succeed either, because when seen from the long term the Slovene people were fatally struck by the virus of germanization, and the erroneous therapy of the 1970's did not succeed. Starting from the idea that the Slovene people "spent" their right to self-determination in 1918 as a part of "the three-society people of Serbs, Croats, and Slovenes," the restoration of this right in 1991 should not be carried out to the detriment of Serbian interests. And there can be only one Serbian interest here: the neutrality of the Slovene state and the distance of Austrian borders from the Serbian federation. This means that Slovenacka, as this country was known after its appearance on the historical scene in the first Yugoslavia, would not have anything in common with Serbs, not even a common market; it would be obligated to preserve its borders, and thereby the northwestern Yugoslav borders, and would not have complete international sovereignty.

The borders of today's Slovenia on its way to secession are in dispute. Parts of Istria and Primorje, which were taken away from Italy after World War II and annexed to Yugoslavia, cannot secede: They must remain, together with Istria, with the hinterland north to the Kupa River and east to the Serbian province and with the islands in the upper and middle Adriatic Sea, in our country. This is an area under a significant influence of Romance culture and it should not be ceded to marionette republics under German domination, which an independent

Slovenia and Croatia would undoubtedly be. Therefore, I am for the principle "Istria for the Istrians."

[Buric] What is the importance of a Croatia of the Anti-Fascist Council of People's Liberation of Yugoslavia, when the issue is the right of a people to self-determination? Why must the Serbian people realize that right on that territory through armed warfare?

[Marojevic] In the whole postwar period, political Croatia has fought against unitarism, and Serbs shyly defended themselves because they are not unitarists. But it has really been quite different: The postwar People's (Socialist) Republic of Croatia, from the ethnic viewpoint, was much more complex than Bosnia-Hercegovina, Montenegro and Serbia together. While the same single people of Orthodox and Muslim faith (there are much fewer Catholics) lived and live in three of our republics, three south Slavic peoples have lived in the administrative borders of Croatia: Serbs (of the Catholic and Orthodox faith), Slovenes and ethnic Croats. Therefore, the most current question today is the battle against Croatian unitarism. Instead of generally valid criteria regarding the realization of the right of people to self-determination, the criterion of religious affiliation (all Catholics from the Serbian-Slovene-Croatian language area are called Croats) and the criterion of "state" affiliation (all citizens of the imaginary Croatian state are called Croatian subjects, although Croats have not had their state in the last nine centuries) are operating in Croatia.

[Buric] Arguments of an ethnolinguistic nature are used insufficiently in the diplomatic and informational activities of Serbia. What do you think about that?

[Marojevic] That's correct. But arguments of a legal-political nature are also neglected frequently. Dr. Budimir Kosutic pointed out just recently that Slovenes and Croats supposedly reject communism, but accept borders established by the Communists within Yugoslavia. It should be added to this that Croatian allies in Europe also use this ruse: and they, supposedly, reject Serbian bolshevism and communism, but they usurp the internal borders that the totalitarian regime of Josip Broz Tito established.

The fact is overlooked that in all postwar constitutions of the Republic of Croatia, as well as in the 1974 Constitution, Croatia is defined as a state of the Croatian and Serbian people. The unilateral declaration of this republic as a Croatian state only necessarily assumes the separation of the Serbian people and Serbian territories from its "protection."

It must also be pointed out that Croatia, Slavonia and Dalmatia are three completely independent and separate historical regions. In addition, the areas of the Serbian Krajina and Istria, with the islands, do not belong to Croatia. Today one can speak about Croatia, from the ethnolinguistic and legal-historical standpoint, only in terms of the area north of the Kupa and west of the

Petrinja, Pakrac and Virovitica districts. A non-Serbian population lives only in this area.

[Buric] On which territory could a separate Croatian state be formed, in your opinion, i.e., which area is indisputable in this respect?

[Marojevic] Only the area designated north of the Kupa River and west of the Petrinja, Pakrac and Virovitica districts, is indisputable. This is the area of the Slovinje of the middle ages, linguistically designated as the "kajkavian dialect." The ethnic name of this people is Slovenes, but for a long time they haven't call themselves that. They use either the regional name Zagorci (inhabitants of Zagorje) or the religious name Hrvati (Croat). Specifically, they began in the second half of the seventeenth century to use someone else's ethnic name (Hrvati). The name Civilna Hrvatska (Civil Croatia) is used in the most recent history for this country. Since another people with the name Hrvati also exists in Croatia (they are legal or ethnic cakavian Croats), these secondary Croats (kajkavians) could conditionally be called Novohrvati (new Croatians).

[Buric] What solution, in your opinion, would be most appropriate for Bosnia-Hercegovina, especially for its Muslim part?

[Marojevic] The best solution for Bosnia is undoubtedly in a government agreement of Serbs of Orthodox and Muslim religious-cultural affiliation. It is most important not to submit to the Ustashi strategy of alienating Muslims and Orthodox, which had some success in the past war. The Ustashi carried out genocide on the Orthodox population in "Turkish" feezes in order to direct Serbian revenge against the Muslim population. The interest of the Muslim population is to live in the same country with Orthodox Serbs. Here common Serbian and special Muslim interests coincide. It is really important for Muslims to orient themselves to that which is in the interest of the Muslims themselves (Bosnian Muslims) and not to serve only as a weapon for carrying out the Ustashi policy of militant catholicism. Croatia would like to attract Muslims to its side in order for them to fight for Croatian (more correctly, Catholic) interests. Tudjman would, there's no doubt about it, strongly wish for others to wage war for him. The agreement proposed by the Bosnian Muslim Party is an expression of the wisdom of its leadership. I won't get into the concrete modalities of a government agreement between the Orthodox Serbs and Muslims.

[Buric] You call Serbs Orthodox Serbs, and Muslims (by our constitutional practice a separate people) Serbs of Muslim religious affiliation. Is this also in accordance with your ethnolinguistic knowledge?

[Marojevic] You see, I start with scientific truth. The historical time in which we live is characterized by a process of ethnic self-awareness and a searching for oneself and one's roots by our Muslim population. In the 19th and the beginning of the 20th century this population called themselves Turks. Such self-awareness was

false or, to put it scientifically, it was not authentic. In the beginning of our century, they begin to describe themselves as Muslims; this was a consequence of the religious ideologization of the national question in communist Yugoslavia. This time the self-awareness was authentic: It is correct that Serbs of Mohammed's faith are Muslims, but that is their religious, and not their national name. The name Bosnians represents a further step in the direction of national self-awareness. It is also authentic, except that it is an expression of regional affiliation. Leaders of the literature and culture of this cultural circle (Mesa Selimovic, Skender Kulenovic, Djamil Sijaric, Izet Sarajlic) were conscious of their religious, regional, and national (Serbian) affiliation; this is the highest form of self-awareness. Among Muslims, the awareness of a people of Orthodox, Catholic and Muslim religion is otherwise very widespread.

[Buric] You mentioned the Dubrovnik Republic. Are there conditions for its resurrection?

[Marojevic] The best solution for inhabitants of Dubrovnik and the immediate surrounding area is autonomy, which it would be so called out of respect for the Dubrovnik Republic. This old Serbian state had a cultural, political and economic individuality that should also be preserved under the new conditions. The Dubrovnik hinterland, i.e., eastern and Old Hercegovina, should belong to Montenegro. This united ethnic, cultural, and geographic area should be without republic borders, since a large part of Old Hercegovina is in Montenegro anyway.

[Box, p 37]

Serbian Krajina

[Buric] What is the historical perspective of the Serbian Autonomous Region of Krajina which, having defended its independence with weapons, was formed in the administrative borders of Tito's Croatia?

[Marojevic] Knin and Krajina are certainly the third bastion of Serbianism: Freedom's rays will never again be extinguished there. The first bastion of Serbianism in recent history was Montenegro, and the second Sumadija. Now a third nucleus of Serbian statehood and freedom is appearing. I see Krajina primarily as the third federal unit of the united states of the Serbs. Moreover, Krajina is the forwardmost rampart of orthodoxy. There the "ancestral souls," as Njegos would say, soared, the souls of a million Serbian martyrs brutally killed by the Ustashi regime. These martyrs did not suffer in vain and were not tormented in vain: Dressed in their testament, their descendants are consolidating their freedom.

For the political resolution of Serbian Krajina, two principles must be maintained. The first principle: never again a part of Croatia. The second principle: No borders may divide Krajina (the "Croatian" and "Bosnian" part). Something else: The Serbian Orthodox Church should canonize the million Serbian martyrs that suffered under the marionette fascist Independent State of

Croatia and designate a day in their common memory. Because they suffered for the Orthodox faith, freedom, and human dignity.

[Buric] In the Serbian-Croatian division of borders, to whom should Dalmatia belong?

[Marojevic] Dalmatia, throughout its whole area, from Serbian Krajina to the Dubrovnik Republic, is all Serbian territory. That Serbian Catholics represent the majority there is not a reason for it to belong to Croatia. Catholic propaganda has proclaimed the Catholic population there to be Croats, but this propaganda has not been fully fruitful. In terms of ethnic essence, Dalmatians have remained Serbian; any international commission can confirm this (a commission composed of linguistic and ethnological experts). In talks with Europe, the European should be reminded that in the former Yugoslavia there were a million Serbian Catholics by national orientation and that around 300,000 Serbs were forcibly catholicized in the morbid Independent State of Croatia. It is all too well known that transferring to another faith does not diminish national affiliation: This is an ethnolinguistic axiom.

I am an advocate of the saying "Dalmatia to the Dalmatians." This means that Dalmatia should be an autonomy in the joint state, and perhaps even a separate federal unit. Dalmatians should be entitled to their natural resources, and not have to be a colony of the militant fascist regime in Croatia.

[Buric] Does Slavonia have a regional perspective and in which state?

[Marojevic] A Serbian population also lives all through Slavonij. Serbian ethnic territory stops on a line that goes west from Petrinja, Pakrac and Virovitica. There are numerous settlements of Orthodox Serbs in Slavonia. Serbian Catholics are most often not aware of their national affiliation and use regional names (Sokci, Bunjevci, and the like), while Catholic propaganda imposes a Croatian name on them. The imposition of someone else's ethnic name, however, does not change ethnic affiliation. The local Catholic population either does not have a specific national awareness or it is debatable, and thus "resorts to ethnographic factors to determine, on their basis, their affiliation with national groups" (A. Belic).

The population of western Srem, eastern Slavonia and Baranja has already made a determination for Serbian Vojvodina (and the Republic of Serbia), and of western Slavonia—for Serbian Krajina. But the other parts of Slavonia, with a predominantly Catholic population, should also be part of a common state, with their regional autonomy.

Slovene Negotiating Positions at Peace Conference 92BA0005A Ljubljana DELO in Slovene 14 Sep 91 p 20

[Interview with Slovene Foreign Minister Dimitri Rupel by Romana Dobnikar Seroga; place and date not given: "We Cannot Retreat From International Recognition"]

[Text] The starting points with which the Slovene delegation to the peace conference has been provided, as well as the framework within which it can maneuver in the negotiations, have been supported by all the parties in Parliament without any major hesitation, at least for the time being. Obviously, they are all aware that Slovenia has to appear before Europe as a capable partner, and thus demonstrate once again that it is mature enough for international recognition. On the other hand, some people are quietly afraid that the Slovene representatives in The Hague will have to concede too much, or that they will even be outmaneuvered as a result of more powerful interests. We talked about this with Slovenia's chief negotiator, Dr. Dimitri Rupel, even before his second departure for the peace conference.

[Seroga] You have emphasized several times in the last few days that to us, the peace conference is just a stage in the regular process of the international recognition of Slovenia and an opportunity for Slovenia to show itself to be a partner worthy of confidence.

[Rupel] To put it simply, Slovenia, as a member of this peace conference, has actually already been recognized as an entity in international affairs, and many people are assuring us that recognition is only a matter of time. They are also taking us into account, to the extent that is appropriate for our importance. At this conference, where final confirmation of our statehood is also one of the scenarios, we cannot retreat from our principal demands, i.e., international recognition.

[Seroga] On what points will you be prepared to concede? Lord Carrington has stated quite clearly that each side will have to concede a little....

[Rupel] We could argue for the position that we are an independent state and that we will not participate in the conference because it essentially has to do with the Croatian-Serbian dispute, and so forth. We have already conceded on this, however, and demonstrated our willingness to continue participating in the peace process. In the second place, with respect to the Army's withdrawal we conceded on dividing up the Yugoslav Army's property. We will be able to negotiate on certain economic matters with respect to regulating future relations. We will probably be unyielding with respect to our own monetary policy. We can negotiate about timetables. For example, the moratorium is in effect until 7 October, and in the next two months—I am speaking from memory—we will ensure our monetary sovereignty, because it is necessary for our survival. Perhaps we could allow Drnovsek to remain in the Yugoslav Presidency for a while longer.

[Seroga] But you would not consent to an extension of the current moratorium?

[Rupel] On 7 October the moratorium expires for us; then we will have a free hand, and we will be rid of certain obligations that we temporarily consented to. There has to be some room to maneuver, but there

cannot be any negotiations about our taking some further steps after the end of the moratorium.

[Seroga] Are you prepared to talk about any forms of cooperation with the other republics?

[Rupel] At one time we had a scenario for reconciliation, and even a defense pact did not seem impossible to us. After the war, of course, something like that is out of the question. It is true that we will need the consent of the Federal Government for our membership in many international organizations, and that is why we need some cooperation in the area of international relations. We will not be able to "cover" all the countries that we would like to with our own resources, and therefore we would be willing, for example, to wait to replace all of our people in diplomatic and consular representations. Perhaps these are trivialities, but they are very important for making our transition to complete independence as painless as possible. In the Baltic republics, for instance, which have already received international recognition, the Soviet Army will still remain for three years. That issue has already been settled for us.

[Seroga] How would you comment on the fears that in The Hague Slovenia's interests will be in the background, and that those negotiations, which will try to solve the Serbian-Croatian problem forever, will block our aspirations?

[Rupel] We will do what is possible. Let what is impossible be done by those who think that it is possible! The Slovene leadership certainly cannot give any guarantees in advance, because not everything depends upon us. We have been faced with a great challenge: to defend our solutions very clearly, constructively, and peacefully, while at the same time maintaining intensive bilateral relations with the members of the European Community, which is now a reference group for us. That is why I was also in Portugal, Great Britain, France, and so forth. In relations with the Twelve, the only one that we are still lacking is Spain, which is a very hard nut. Look, today Slovenia is coming to the European courts. The fact that President Kucan and I visited the Portuguese president and prime minister is an important shift, since previously we had not achieved such a level of relations. The continuing contacts with Genscher and De Michelis are important, and the Greek foreign minister is coming for a visit.... All of this strengthens our position, which was very weak in the beginning, and is still very vulnerable. In The Hague, we have to be careful, above all, not to lose what we have already gained. What we come out of it with, a little more or less, depends upon the objective circumstances.

[Seroga] At a meeting of the Assembly's commission on international relations, you said that it would be necessary to appear at the peace conference with arguments, above all. How will you equip yourself with them?

[Rupel] In the Presidency, we have already had the first meeting of our group of experts, which includes professionals

like Dr. Bojko Bucar, Dr. Skrkova, Dr. Turk, Dr. Bohte, Dr. Vlado Renko, Dr. Veljko Rus, Dr. Ernest Petric....

[Seroga] I.e., all the available Slovene experts on international relations....

[Rupel] Yes. I am glad that historian Bogo Grafenauer, who prepared material on the issue of the historical nature of Yugoslavia's borders, is also collaborating with us. We will take all of that into account, and when the discussion takes place at the expert level, we will send them to The Hague, naturally in coordination with a political body in Slovenia. We must not make any mistakes in this area.

[Seroga] How do you predict that the conference will proceed?

[Rupel] One must be aware that an aspiration to preserve Yugoslavia, at least in some loose and provisional alliance, is still very strong among the Twelve, and that it is being reinforced by fears about the possible consequences for Western Europe as a result of Yugoslavia's collapse. Taking this into account, we can predict that the conference will last for some time; and its progress will depend upon how the relations between the Serbs and Croats develop. It would also be possible for the conference to solve the problem soon. Then Slovenia will take up the other items on the agenda. We are also thinking of proposing this. Many people think that Slovenia is the constructive factor that should, for that very reason, be kept in Yugoslavia, and also so that there would not be a critical shift in the balance of power toward the reactionaries. We are aware of our responsibility for peace, but we cannot sacrifice our independence for it.

[Seroga] Will the Slovene delegation keep going to The Hague—for six months, for instance—if it turns out that it is just bandying words?

[Rupel] An agreement could be reached quickly at the level of experts, but the problem is the political balance of power. I think that Lord Carrington is an authority who guarantees that it will not be dragged on. We are willing to go to The Hague so as not to spoil any basic willingness that the European Community has indicated to cooperate with Slovenia. If the price for our international recognition is our presence in The Hague for six months, then we are also willing to pay it. We would give up, however, if we saw that we were losing more than we were gaining by the conference.

Slovene Economic Cooperation With Yugoslav Army

92P20016A Ljubljana NEODVISNI DNEVNIK
in Slovene 6 Sep 91 p 5

[Unattributed article: "Economic Cooperation With Yugoslav Army"]

[Text] Ljubljana, 6 Sep—Slovenia is well on its way toward continuing and deepening some new forms of

economic cooperation with the present partners in Yugoslavia under the new political circumstances. The recent talks among Isidor Rejec, the republic's minister for industry and construction, representatives of the Yugoslav Army's General Staff, and the military enterprise in Belgrade which was formed on 1 September to develop an understanding of business and entrepreneurship and to promote the development of the defense industry, are part of this economic cooperation. The minister's return visit was initiated by Slovenia to fulfill commitments made previously and to determine the framework of future cooperation in view of current circumstances. Slovenia is especially interested in the production of military equipment for export. An agreement was reached in Belgrade on ways to solve transport problems and on cooperation among republics that participate in production chains.

After his return from Belgrade, Mr. Rejec told the STA [Slovene Press Agency] that the talks with Army representatives were very open and successful. The Slovene enterprises ("The Slovene Ironworks," "TAM," "Met-alna," "Iskra," and others) will continue working to meet the needs of the Yugoslav Army, even though the scope of the trade will be smaller than in 1990 when the value of the business amounted to 2.6 billion dinars, according to the minister. In the current year, production for the Yugoslav Army decreased drastically, which has especially hurt Bosnia-Herzegovina and Serbia. According to Minister Rejec, Slovenia has so far this year reached only 38 percent of last year's volume of trade in this area of production. "We agreed already at our last meeting with Army representatives in Ljubljana that Slovenia would not produce military equipment that the Yugoslav Army could use against Slovenia," Mr. Rejec stressed in closing.

Bosanska Krajina Region President Interviewed

92BA0010E Belgrade BORBA in Serbo-Croatian
19 Sep 91 p 10

[Interview with Vojo Kupresanin, president of the Autonomous Region of Bosanska Krajina, by Milenko Maric; place and date not given: "We Are Not the Ones Breaking Up Bosnia"]

[Text] "The Autonomous Region of Bosanska Krajina is an acceptable concept to both Yugoslav and European thinking. We made this move primarily for economic and political reasons," said Vojo Kupresanin, president of the Assembly of the Community of Opstinas of Bosanska Krajina, in an interview with BORBA, noting that Banja Luka and the other opstinas of the region have from the standpoint of development been exploited by methods unrecorded in the modern world.

[Maric] What were the political reasons?

[Kupresanin] The declaration of the sovereignty of B-H [Bosnia-Herzegovina] was fatal for the Serbian nationality, and we will never accept it. Further, let us be clear, we are not the ones breaking up B-H, which is imputed to

us. We have let it be known clearly that if B-H remains a federal unit of the federal state, the region will remain only a region, and, of course, in that case the republic and federal laws will be respected. Otherwise, we have already decided, if B-H becomes a sovereign state, we know who we want to live with and where we belong.

[Maric] You have proclaimed autonomy, and only afterward did you schedule a referendum.

[Kupresanin] That is a proper question. Whatever a referendum does not confirm is not legitimate. The people of Bosanska Krajina will soon be able to state whether they are "for" or "against" autonomy.

[Maric] Why were you in a hurry?

[Kupresanin] When at one time we voted in favor of economic regionalization of this area, we met stiff opposition. Today, however, that form of regionalization is an option of all three ruling parties in one way or another. In short, it has come closer to everyone. So now we in Bosanska Krajina and the comrades in eastern Herzegovina are the first to come out with this decision.

[Maric] Do you have a particular reason for haste?

[Kupresanin] On the stage at present are secessionists, those who are breaking up Yugoslavia, Fifth Columns, not only in Slovenia and Croatia, but even in the Assembly of B-H. And the parliament of B-H must be differentiated into the people who have Yugoslav orientation, who are for a peaceful life. There are also those on the stage who favor a new Austro-Hungary, who would restore the NDH [Independent State of Croatia]. We cannot reconcile ourselves to them. In that climate, all three Bosnia-Herzegovina nationalities must realize that defense has the highest priority at this moment. We must all mobilize so as to prevent civil war on our threshold. If not for our own sakes, then on behalf of our children.

[Maric] The JNA [Yugoslav People's Army] has proclaimed mobilization even in Bosanska Krajina. Why did your assembly do the same thing?

[Kupresanin] We called upon all patriotic citizens, regardless of ethnic, religious, and party background, to report to the units of the JNA to which they have been assigned. We also issued a call for volunteers who do not have war orders to report to opstina national defense secretariats.

[Maric] Is it possible for all of that to be carried out without a war?

[Kupresanin] If the B-H Assembly does not adopt our decision on sovereignty, we will seek dissociation from B-H. Meanwhile, we are not left indifferent by the fact that the B-H Government is not respecting federal laws, including the law on defense, which is holy writ for people from Krajina and the Serbian people. The authorities are not letting recruits and reservists defend the state for which 4 million people have fallen. Whoever heard of that? The Serbian people, always patriotically

disposed, will always answer whenever it is necessary to defend the homes of their grandfathers and fathers.

Hercegovina Autonomous Region Official Interviewed

*92BA0010D Belgrade BORBA in Serbo-Croatian
19 Sep 91 p 10*

[Article by Milan Sutalo: "A State Without Borders"]

[Text] Will the establishment of SAO [Serbian Autonomous Oblast] Krajina signify in practice a truncation of the sovereignty of the central republic, that is, a loss of power in one portion of its territory, and what are the next moves of the central headquarters in Trebinje; these are just some of the questions at the center of interest of a public not confined to Bosnia-Hercegovina [B-H]. We tried to obtain answers to them from Milorad Vujovic, president of the Assembly of Bileca Opstina, who is also the vice president of SAO Hercegovina. He told us that SAO Hercegovina is still part of federal Yugoslavia and that it will leave Bosnia-Hercegovina depending, at least according to him, on how Bosnia-Hercegovina votes—for or against federation. The latter commitment would have the consequence of turning SAO Hercegovina into a federal unit (republic) that would be a part (and equal member) of a federal Yugoslavia that would include "those nationalities and republics that voted in favor of it."

Its Own Police and SDK [Social Accounting Service]

"The borders of SAO Hercegovina do not exist now in a governmental, legal, and administrative sense," Vujovic continued.

If one can speak of them at all, they embrace the territories of opstinas which are at the moment part of Hercegovina, but that does not mean that those borders are final. Soon we will organize a referendum in those territories of other opstinas where the Serbian nationality constitutes a compact entity. Which other territories will become part of the autonomous oblast will depend on the results of the referendum, Vujovic explains without stating exactly what territories are involved, but according to the ethnic map of Hercegovina one can assume that they might be parts of the opstinas Stolac, Mostar, and Capljina.

Although the borders would not be real in a formal sense, their existence would imply the formation of certain Hercegovinian government institutions. This conclusion follows from what Vujovic told us later on in the interview. The decision to establish a Ministry of Internal Affairs, that is, according to him, means establishing a police force of SAO Hercegovina.

"The present public security stations on the territory of the autonomous oblast would no longer be under command of the B-H MUP [Ministry of Internal Affairs], but under the jurisdiction of our ministry. As for defense, that role goes to the JNA [Yugoslav People's Army], and so long as it exists we do not think about having our own

armed formations. However, if it does not perform its function properly, we would form our own defense system."

Soon the SAO Will Also Have a Constitution

In answer to the question of whether the decision to form economic and finance ministries means that some of the tax revenues would be withheld in "Trebinje," Vujovic answered that that would be worked out in an agreement with the republic. "In any case, some of the revenues will have to stay at the level of the autonomous oblast, because how otherwise would we finance those institutions?" As for payments and settlements, they are now handled by the SDK, but it is not precluded "that we will have our own social accounting service," because a constitution will soon be adopted, as Vujovic explained to us. Since the constitution is the supreme legal act of the state—(author's note), we were interested in whether after its adoption the SAO Hercegovina will in practice become a republic. Vujovic's response was "No, it won't, that will be the Constitution of SAO Hercegovina."

Vujovic also told us that even if SAO Hercegovina should be proclaimed a republic, it will not merge with Montenegro, which the press has been persistently emphasizing, because that would be superfluous, because SAO Hercegovina would have the same rights in the federation as Montenegro.

Vujovic's comment on the threat of the SDA [Democratic Action Party] for Hercegovina that if the decision to form SAO Hercegovina is not nullified the Muslim nationality will form its own Muslim opstinas, was this: "Let them go ahead, who is standing in their way?"

In conclusion, we were interested in what the status of the Muslim nationality (17 percent) and Croat nationality (between 1 and 2 percent) would be following enactment of the Constitution of the Serbian Oblast of Hercegovina, and Vujovic said that the Muslims would have the status they have in Yugoslavia and "they will not be an ethnic minority."

Memorandum on Correction of Montenegro Borders

*92BA0006C Belgrade BORBA in Serbo-Croatian
17 Sep 91 p 11*

[Article by Lj. Mudresa: "A Mousetrap on Mt. Kobilja"]

[Text] The Memorandum of the Democratic Party [DS], which its main committee has sent to the government and Assembly of Montenegro, supports the position of the official government in stating (officially) that "borders between the Yugoslav republics as federal units" are the "internal affair of the SFRY," and that they are "signs of the internal administrative and territorial division of the SFRY" and that "as such they cannot have international protection." Therefore, the Democratic Party recalls that "the border between the Republic of

Montenegro and the Republic of Croatia, in the northwest-southeast direction, was unnaturally drawn by an arbitrary decision of AVNOJ [Antifascist Council of the National Liberation of Yugoslavia], for which a valid solution has not yet been found."

The DS Memorandum states that "if through Croatia's independence and international recognition that border should be legitimized and granted international recognition, from the standpoint of international law Kotor Bay will lose the status of internal marine waters, with all the adverse consequences for the Republic of Montenegro."

The Democratic Party therefore calls upon the government and the republic Parliament to "submit a demand without delay for correction of the mutual border by agreement, so that the western side of the entrance to Kotor Bay (those parts of Kobila Hill along the shore and the fields of Vitanjin and all of Prevlaka Peninsula) would be annexed to the territory of Montenegro" and that the present borders be contested before the international forums of the EC, the Conference on European Security and Cooperation, and the European Parliament.

This was an occasion for us to ask Ranko Rajkovic, member of the DS main committee, whether the demand for a foot of the bay was actually a counterweight for the Croatian arrogation of the bay?

"Regardless of the feet and cubits, when the bay is concerned, we should take other steps in political negotiations. That is, should Yugoslavia disintegrate, Montenegro's first move must be the demarcation of its territory on the principle of the geostrategic and geophysical unity of the bay. This means that the administrative borders that now exist, which were drawn in Yugoslavia by the method of protectorates established in government offices, must not be recognized. By those divisions, the Ostro promontory which shelters the entrance to the bay belongs to Croatian territory. The old Austrian idea of controlling the entire bay with a few fortification obstacles on Prevlaka was carried over and preserved in the constitutions of new Yugoslavia. Thus, the entire bay belongs to Montenegro, but geostrategic control of the bay belongs to the Republic of Croatia. So long as the Republic of Croatia is in Yugoslavia, these facts must be viewed as a problem."

What you mean to say is that the bay (all of it) belongs to the one who holds the "door" to it?

"If the present border remains, Kotor Bay would become the biggest mousetrap in the world. A foot more actually does not signify a territorial claim, but establishment of geostrategic unity. Now, that is, that spit of land representing the 'gate of the bay' is under the formal and legal jurisdiction of Croatia, and whoever owns it can control the entrance to the bay and to Montenegro."

Rajkovic says that on grounds of state strategy Montenegro must not consent to the disputed territory actually becoming a part of Croatia, because then Croatia could control a hundred times larger territory, and in

peacetime it could collect a tax on all ships passing through. In practice, Rajkovic says, the demarcation must be done according to the rules of international law in that field, an initial condition being recognition of Yugoslavia as a state under international law.

Powerlessness of Bosnia's Ethnic Autonomies

92BA0010C Belgrade NEDELJNA BORBA
(supplement) in Serbo-Croatian 21-22 Sep 91 p viii

[Article by Dr. Zlatko Lagumdzija: "Selection of the 'Prettier' Totalitarianism"]

[Text] One of the "cleanest" pieces of political material in Sarajevo these days is the sumptuously printed large ethnic map of Bosnia-Hercegovina [B-H]. The little firm "Altermedia" seems to have done a good bit of business in drawing in on the map in different colors the locations inhabited by Muslims, Serbs, Croats, and "others" who have not had the "luck" to be one of the nationalities forming the state of Bosnia-Hercegovina. Those who have been least satisfied are, of course, the new designers of ethnically pure and politically autonomous regions, because it is obvious that such constructs have no rational justification. If in only one-third of the opstinas one of the three nationalities has a qualified majority of the population, then the concept of an ethnically confederal Bosnia-Hercegovina (which is unfortunately being offered more and more frequently by certain "ethnic" and "nonethnic" parties) is yet another project with no "feasible solution."

When a leader of a civil party based on an economic program, who is also a qualified scientist, counts up journalists according to national background without any sound empirical data, then the question logically arises of how close we are to a civil society. If we add to this the increasingly aggressive advocacy of a republic as an alliance of ethnic autonomies (within the present borders) and decisionmaking in the B-H Presidency by (ethnic) consensus, then those who would like to see the end of this ethnic insanity become more and more disturbed. And when one of the things suggested to those who do not want to be an ethnic minority in an ethnically organized political autonomy is the "existence of the institution of exchange of apartments" through the classified ads in POLITIKA, OSLOBODJENJE, or VJESNIK, then it is clear to the people of Bosnia-Hercegovina that "the devil has called the tune."

Because of the impossibility of becoming an ethnic state, Bosnia-Hercegovina can very quickly be "compelled" to become a civil state. After all, if there is a remedy for the illness called interethnic religious civil war in Bosnia-Hercegovina, then that is civil homogenization in a democratic state. In other words, the time of civil homogenizations, which must accompany this unhappy time of ethnic homogenizations, should not be seen in terms of resolving nationality issues, but in terms of constituting a democratic state in the European sense of

the word. The victors in the elections by and large do not agree with this; not only do they have the idea, they are also behaving as though a democratic state is equivalent to democratic elections.

Thanks to the large number of members who were "favorites" of the old regime, the newly established ruling ethnic parties, the SDA [Democratic Action Party], the SDS [Serbian Democratic Party], and HDZ [Croatian Democratic Community] have in their behavior actually resembled the government we had until yesterday. The sole difference is that in the case of Bosnia-Hercegovina one-party single-mindedness has been replaced by triethnic mindlessness. There is no need to seek an answer to the question of which of those two totalitarianisms is "prettier." That is something else to which we are accustomed: We have always chosen the lesser of two evils.

Bosnia-Hercegovina still has not received from the new Assembly a "certified" document containing the defined political position of this republic concerning its internal structure and concerning the new Yugoslav community. Two principles are in conflict: the civil state and the state of nationalities. One bloc is made up of two ethnic parties (the SDA and HDZ) and two civil parties (the SDP [Socialist Democratic Party] and the Liberals), which favor a civil state, while the other is made up of one ethnic party (the SDS) and one civil party (the SRS [League of Reform Forces]), which favor a state of nationalities. So, compared to the time before the election, the status today is as follows: The HDZ and SDA incline toward the views of the SDP and the Liberals. The SDS has stuck with its initial positions, and the SRS has changed its course.

Is it possible today to expect that the civil concept will begin to rule Bosnia instead of the ethnic concept? First of all, for the moment the opposition does not have that kind of power (for at least a thousand reasons) to be able to oppose the ruling ethnic parties. Even if new elections were held now, no one could say with certainty what would happen afterwards. That is why possible temporary disentanglements (along with new entanglements) can be sought in civil initiatives within the ruling parties. Another question is whether a party can by decree translate itself from one concept to the other while it consists of the same people and pursues the same way of thinking. The recent meeting with one of the leaders of the SDS was illustrative to me: In front of gathered diplomats, he agreed with me that the civil concept of a democratic community was the only solution for all of us in these parts. In order to be more convincing in his civil commitment, he admitted to me that even they (the SDS) had thought about calling their party "Social Democrats," but had refrained at the last moment out of fear that in this case "their Serbs would not recognize them." Perhaps that is the reason why the MBO [Bosnian Muslim Organization] is having difficulty persuading the public that it is a civil party.

The disagreements within the ethnic parties concerning the future structure of the state demonstrate that everything is not all that simple. We can take as an example the public speeches of Alija Izetbegovic, president of the SDA, who on several occasions has committed himself publicly and unambiguously to a civil state. At the same time, even in the presence of his chief Sulejman Ugjinian, president of the SDA for Sanjak and Serbia, he "votes" for a Muslim republic.

It is difficult to find anyone today in Yugoslavia, and therefore also in Bosnia, who does not want peace to be the normal state of this country once again. They are now divided by the dilemma: Is a peaceful Bosnia a condition of peaceful Yugoslavia or the other way around? Although Bosnia's age in centuries is greater than that of Yugoslavia, you can find a few new-styled leaders who say that it is the other way around. Given the lack of arguments, he possibly agrees to a trade for the statement that this is a new version of Which came first, the chicken or the egg? The solution of this "dilemma" is simple: Just as Yugoslavia makes no sense based on the concept of national states, so Bosnia does not exist as a "triethnic state." There remains only the hope that receivers from the European environment will design us a new community according to their own model—the civil concept. That is the only way left to "revive" Bosnia and Yugoslavia once again. Because now it can no longer be without casualties, let it at least be with as few new ones as possible.

Factories Convert to Military Production

92BA0015C Belgrade BORBA in Serbo-Croatian
23 Sep 91 p 12

[Article by Biljana Stepanovic: "Production for the Hatred Market"]

[Text] The Yugoslav economy is slowly, but surely, making the transition to a war footing. More and more factories are replacing their peacetime production with work to meet the needs of war. So far only the government of Croatia has sent to the Economic Chamber of Yugoslavia a decree whereby that republic, which is the only one officially at war, is converting its economy to a war footing. Actually, certain other republics have also taken this step, but they have not made it official.

A sizable portion of the weapons and equipment produced in the "cottage industry," in the opinion of one expert, can be used only for local needs, because no one in the world would buy them.

The reorientation of the economy, especially of the kind of ruined economy we have, to wartime production is exhausting the enterprises financially. They are losing markets they took great pains to win, and business ties are being severed. Enterprises are ceasing to develop, and they are falling into a great technical and technological lag. Along with these long-term injuries, the direct consequences are very quickly evident: Financial transactions come to a halt, people do not receive their

salaries, firms go bankrupt, and there are more and more unemployed. At the same time, all market-oriented behavior, which we had begun to introduce with great pains, is precluded, because production is carried on by directive, for a known customer, and nothing is produced that is not deemed to be necessary.

"The decree of the Croatian government signifies a complete change of production structure. Less and less will be produced for the market and more and more for offense and defense. It is logical that this will impoverish the market, cause inflation, and make it impossible for any such enterprise to make an appearance on the world market," is the opinion of Dose Kotevski, vice president of the Economic Chamber of Yugoslavia. "So long as war is being waged, so long as there are economic barriers, and while the workers are in uniform, regardless of the insignia, there will be no kind of production in Yugoslavia. We have turned our superb commercial specialist or highly skilled worker into an ordinary soldier on the barricades."

"It cannot be said that we are living in a war economy," is the opinion of Dr. Danijel Cveticanin, professor in the School of Economics at Belgrade University. "It is even difficult to say whether we are at war at all, because we do not know the answer to the question of what would follow a possible victory. And how will we know that we have won anyway? Yugoslavia will experience any victory as a defeat, and that also applies, whether we like it or not, to a majority of Yugoslav citizens. We can speak only of an economy devastated by war. It seems to me that the devastation of the economy is the only objective and purpose of this kind of war.

"It remains as a historical and theoretical curiosity," Dr. Cveticanin adds, "that the principles of liberalization and opening up the market and privatization are being proclaimed in this region of ours under wartime conditions, while at the same time processes are taking place in precisely the opposite direction—markets are being narrowed and closed, the government sector of the economy is getting stronger, the tyranny of many powerful figures is dictating the principle of a single chain of command in economic life whenever possible. The Yugoslav economy is thus losing a reputation in the world which was hard-won and not really all that high. Still worse, it is losing its very best personnel: Those who are most physically fit are carrying weapons, and those who are intellectually most able are naturally apt to leave the country and avoid the turmoil of war."

At the same time, institutions are being destroyed which ought to be the basis for any commodity economy: The safety of property is becoming a relative category, and the market and free trade almost imaginary categories. Under those conditions, certain intelligent people and well-known experts in war damages are thinking up incendiary economic slogans pushing the economy further and further away from the possibility of becoming part of world flows in any foreseeable future, Dr. Cveticanin said in conclusion.

[Box, p 12]

Rifles as Household Appliances

The economy of Split is already producing armored personnel carriers to meet the needs of the war in Croatia, in Zagreb they are being made from large trucks, the "3 Maj" Shipyard and "Torpedo" factory are tooling up to make war equipment. "Rapid" in Virovitica is making hand grenades and antitank mines. "Olt" in Osijek is making parts for mortars, "Dilj" and "Standard" in Osijek and the Vlakovci Railroad Transportation Enterprises are making antitank obstacles. "Gorenje," it is said, has effectively mastered the production of the rifle, and at "Zastava" in Kragujevac they are drawing up waiting lists for arms customers. In SAO [Serbian Autonomous Oblast] Krajina, they have made the "Krajina Express" armored train for their own needs.

[Box, p 12]

Profit From the War

A state of war, it is well known, is highly favorable to various speculators, "private businessmen," in actuality war profiteers, whose business flourishes in the general chaos and who naturally try to make the war last as long as possible. The most lucrative is certainly the trade in weapons and other war equipment, but as time passes, the assortment gets wider. Because drugs, food, fuel, and all vital products become scarce, suppliers come onto the market as the main "economic figures," ready to fill the empty space of the interrupted commodity-money flows.

[Box, p 12]

Different Yardsticks

With the flaring up of armed conflicts in Yugoslavia, the members of the European Community, it has been reported, have prohibited the delivery of arms and military equipment to our country. However, it seems that this prohibition does not apply equally to all members of the EC, nor in fact to all regions in Yugoslavia.

Croatia and Slovenia, that is, have in various ways been delivered large quantities of the most destructive weapons, while at the same time, on the other side, delivery of some of the equipment contracted for to round out the production of the new "CZ-99" pistol to "Zastava" in Kragujevac has been postponed. To be sure, the reason given for this postponement is the prohibition of the EC we have mentioned, although it is quite well known that this is a civilian production, that is, a weapon for personal defense.

In this situation, the experts of the "Zastava" factory have "discovered" suitable equipment (a machine) at "Prva Petoljetka" in Trstenik, which is not being used at the moment. So that in a few days, in agreement with the owner, of course, they will begin to produce parts there

for the "CZ-99" pistol. If everything goes as expected, the quantities of this pistol contracted and paid for will be delivered on time.

Biographies of Croatian Leading Military Figures

*92BA0015B Zagreb GLOBUS in Serbo-Croatian
13 Sep 91 p 7*

[Article by the GLOBUS team of experts: "A Chief of the Croatian General Staff Is Being Sought"]

[Text] Disagreements over the organization and purpose of Croatian armed forces are as old as pluralism in Croatia. The present position of the National Guard Corps [ZNG] relative to the forces of the Ministry of Internal Affairs [MUP] is just as unclear as the accusations of the Serbian-federal top leadership concerning the creation of paramilitary units which, according to them, should still be disarmed. The statements which have recently begun to appear more clearly in public, to the effect that the Main Staff (General Staff) will be created in Croatia, have likewise not been given any broad substantiation at any point, no one has said exactly what it will be like, of what it will consist, and a separate question is being asked about its personnel structure.

The government of the Republic of Croatia, through which some 100 people have marched since the election, has not been lucky with its defense ministers either. That is the light in which the question arises of the individual who might occupy the post of chief of the Croatian General Staff.

We have prepared several portraits of individuals who have recently deserved particular attention from the media because of their views on defense. Each of them is a favorite journalist's topic, but it is not irrelevant to mention that these are mainly people of a certain age (except for two) and people who have earned the attention of the media on the basis of their familiarization with the military doctrine of the Yugoslav Army [JA] in whose construction and development they themselves participated.

Although at the present moment the Yugoslav Army is Croatia's principal enemy, the modern Croatian officer, and therefore also the commander in chief of Croatian armed formations, would nevertheless have to be a young person with quite modern conceptions of war doctrine, but certainly someone who is familiar with the dominant strategy in this region.

Do the men below, then, satisfy the Croatian vision of the prototype known as Janez Jansa in the position held by Veljko Kadijevic?

Fewer and Fewer Soldiers Every Day

Davor Domazet (born 1947 in Sinj), former frigate captain (a rank which corresponds to lieutenant colonel in the infantry), is a high-level officer in the National

Guard Corps who was given his advancement in the media on Slaven Letica's program: "How To Imagine Croatia." In early July, after the speech by General Blagoje Adzic on television, and after the tanks of the Guard unit of the JA set out for Croatia, Domazet fled from Ranjica to Zagreb. Just before that he had just recorded the highest grades in his biography for his diploma paper in the War College. He did not defend his paper. In the Croatian armed forces, he represents the prototype of a young and educated officer, a severe critic of the strategy and leadership of the Yugoslav Army, known for his statements "generals are cowards" and "the JNA [Yugoslav People's Army], like Hitler, is doomed to failure." A man of liberal views, he also sees the weak points of Croatian defense strategy. In the views which he expresses, there is a striking inclination to political interpretations of military procedures.

Had he not deserted and joined the ZNG, Domazet would soon have been a general in the JNA. As it is, his destiny is to fight those who were his colleagues until yesterday. For him, this war can have only one outcome, and on the basis of his training and education over the years he is due one of the highest places in the Croatian military hierarchy.

Symbol of the Croatian Army

Martin Spegelj (born 1927 in Stari Gradac), retired general, was a Partisan, a trained artillery officer of the JNA. As a nominee of the SDP [Democratic Reform Party] he was appointed defense minister of the Republic of Croatia and then he became the principal figure in the most intense espionage affair in Yugoslavia since Aleksandar Rankovic. It had to do with arming so-called paramilitary units in Croatia. At that time, this former division commander in Petrinja, chief of the artillery center in Zadar, and artillery lecturer in the Belgrade Postsecondary Military School Center, chief of staff of the Belgrade Military District, and member of the JNA General Staff, Gen. Rado Bulat's officer in the 10th Zagreb Corps and its vice president in SUBNOR [Federation of Associations of Veterans of the National Liberation War] of Croatia (a post from which he resigned during the 11th Congress of SUBNOR of Yugoslavia), and, after the elections, defense minister in pluralistic Croatia—was referred to as the symbol of Croatian sovereignty.

Later, as commander of the National Guard Corps, they say, he was a persistent and quiet strategist halted "from above" in his intention to use the Slovene war for victory over the Serbian Yugoslav Army, on which occasion he "ruined" the possibility of his becoming chief of the Croatian General Staff. If any of the versions of the imagined combat strategy are correct, the man who up to now has organized the purchase of most of the weapons that can be found in Croatia truly could once again become what he previously let slip—he could occupy a post corresponding to the rank of marshal.

Rather a Hero Than a Commander in Chief

Branimir Glavas (born 1956 in Osijek), lawyer, member of the delegation of the Assembly of the Republic of Croatia in the Chamber of Republics and Provinces of the Yugoslav Assembly, secretary of the National Defense Secretariat of Osijek—commander of the defense of Osijek, member of the Central Committee of the HDZ [Croatian Democratic Community], and president of the Osijek Opstina Committee of the HDZ, if one omits the fierce charges originating in the Belgrade press (which for a long time has concerned itself extensively with the personalities and actions of Croatian politicians), was the principal media figure last year in the "split" that occurred in the Slavonian HDZ. Accused of pursuing an extremely "hard" line, he was first placed at the center of the affair concerning the disarming of a patrol in Osijek, and then Petar Sala was wounded in his apartment, and then he accused the Osijek Opstina leaders of spying, and then he got into a fierce conflict with Josip Kir-Reibl, who at that time was secretary of the Osijek SUP [Secretariat for Internal Affairs], and then also with Ivan Vekic, who at that time was coordinator of the HDZ for Slavonia and is today the minister of internal affairs of the Republic of Croatia. He was also said to be involved in the affair surrounding the murder of Kir-Reibl and the change of personnel in GLAS SLAVONIJE, which has constantly been surrounded with speculation about a conflict in the highest leadership of the republic. In the end, Glavas became a symbol of the defense of Slavonia: He was the first to appear in a camouflage uniform, he is said to have refused obedience to ineffective defense leaders from Zagreb, so he gathered up his "crossbows" and decided never to give up even a small part of his opinion.

Glavas is a typical product of an irregular war, and his role in defense is more a role that corresponds to a Croatian Partizan guerrilla than a military expert. If he ever takes a high place in the defense of Croatia, it will only be in the status of hero.

A Member of the Anti-Hitler Coalition

Janko Bobetko (born 1919 in Petrinja) graduated from the two-year Postsecondary Military Academy of the JA and the operations course in the War College. He has been political commissar of a division, commanding officer of a naval landing detachment, assistant commander for the rear of a military district, and chief of the Army Staff.... He was removed in 1971 and in 1972 was expelled from the party because of nationalism. He is quite familiar with military doctrine, and as a participant in the anti-Hitler Partizan coalition, he was an advocate of organized nationwide defensive warfare. He is one of the more penetrating interpreters of the current strategy of the Yugoslav Army, he has been heeded particularly attentively since he spoke in the Croatian Assembly at the beginning of August. He was a candidate for commander of the National Guard Corps, and after his interpretations the intentions of the Army became

more evident to the general public. "This is a question of to be or not to be," Gen. Bobetko says.

The main obstacle to his fuller involvement in this hypothetical position (allegedly unconstitutional) is his advanced age.

The Author of the Most Elaborate Strategy

Josip Ivan Rukavina (born 1912 in Otocac) was a battalion commander in the Spanish Civil War, a Partizan who fought as early as 1941, commander of the Croatian Main Staff (replaced in 1943), commander of the Military Administration for Vojvodina and the Military Mission in Paris, commander of the military district in Croatia (removed in 1967), and he is today the chairman of the National Security Committee in the Croatian People's Party [HNS]. He favors nationwide resistance. Because of his military tactics, many are inclined to say that that party has a more elaborate program for defense of the republic and also the one that was originated the earliest. More recently, Gen. Rukavina has particularly distinguished himself in the public with his political criticism of Branko Mamula's appearance in London, which constituted the political contribution to creation of the defense strategy in the face of the cumbersome Yugoslav Army organized on the Russian principle and supported by politically instrumentalized terrorist units of Chetnik origin. As in the case of the other elderly generals, his years (especially) would not help him in this post should it be offered him.

Milosevic's First Critic

Sveto Letica (Podgora) is a retired admiral, he spent 20 years on naval ships, he has commanded all types of ships, he has been a fleet commander, chief of the command of the naval district, and a member of the General Staff.

Admiral Letica is one of the most severe critics of the military, but also political doctrine of the top Yugoslav military leadership instrumentalized through the influence of Slobodan Milosevic. Former and also present generals—from Branko Mamula by way of Blagoje Adzic and Stane Brovet to Veljko Kadijevic—have been the topic of his severe critical examinations.

Although primarily a sailor, Letica is one of the former officers of the JNA who has an exceptional knowledge of the organization of the entire Yugoslav Army—from resources to tactical readiness—which gives him an advantage over the others. They say that he refused this position because he did not agree with the range of powers accorded him.

A Fight Against Former Colleagues

Antun Tus (born 1934 in Crikvenica) is the child of a Slovene father and Croatian mother, for many years a pilot of supersonic aircraft and a test pilot, commanding officer of the Air Force and Air Defense, he has served at Pleso, Batajnica, and Railovac. He has been a squadron

commander, commander of a fighter group, chief of staff and commanding officer of an air corps, and assistant commander of the Air Force and Air Defense before taking its top position.

He is said to have been one of the top officers (along with Rear Adm. Josip Brceg) isolated in the "Bristol" Hotel in Belgrade, and today many say that for a number of reasons he is really the most suitable person for this position.

Family Rifts in Army Leadership Noted

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(supplement) in Serbo-Croatian 21-22 Sep 91 p 6*

[Article by Borislav Solesa: "Mutual Murdering of the Soul"]

[Text] Fiercely, pained to the quick, people are distancing themselves from one another (!), splits are eating away families that until yesterday were happy, children and women are turning their backs on their fathers. Perhaps all of that is most visible in the example of the Yugoslav People's Army [JNA]. The way in which Svetozar Letačić, once a Yugoslav admiral, left those who had been his comrades until the day before, was full of almost mythical intonations of a strange and complicated betrayal. Letačić himself had solemnly, voluntarily, and proudly taken an oath to defend Yugoslavia's integrity. Now that he has been appointed commander of the Croatian Navy, by order of Dr. Franjo Tuđman, president of the Republic of Croatia, he has begun to prepare highly professional and thorough ways of killing those who were his closest friends in the JNA until yesterday, and who now, according to those from whom he is taking orders, are called the Serbo-communist occupying army.

If it is true that Admiral Božidar Grubisic has also "changed sides" and put himself at the disposition of the Croat forces, then the split is really thorough. Grubisic, that is, was said to be a passionate Yugoslav, a man who wonderfully scorned everything that was retrograde, local, and exclusively ethnic. The tricks of the "military catman" which Grubisic used in his big dodge surpasses much that social psychology has recorded. In the language of practical politicians, Grubisic was one of the rare Croats remaining at the very top of the military leadership (the only ones remaining are Admirals Vjekoslav Čulic and Josip Erceg).

Blood From His Mother

There are more examples of divided families in the top military leadership than critical examinations of the murky past and bloody present.

The sister-in-law, i.e., wife's sister, of Army General Veljko Kadijević, federal secretary for national defense,

has publicly, on the screen of Croatian Television—Studio Zagreb, alerted her brother-in-law that even he has Croat blood (from his mother), that he is married to a Croat, and that he should think of this in these difficult moments when their common homeland, Croatia, is threatened. It is difficult to explain how his sister-in-law thought Kadijević might handle this, but it is worth recording this desperate cry for help even though it contained many admixtures of political abuse. At least that is how it appears.

General Major Milan Aksentijević is certainly hurting because his family, his wife and children, turned their backs on him when they remained in Slovenia, perhaps more even than being imprisoned in Croatian jails. The last example is also very striking.

A letter to Gen. Nikola Uzelac, commander of the Banja Luka Corps of the JNA from his brother Jovan Uzelac, a university professor in Rijeka, addressing him "Brother, do not murder our soul," shows exactly how brothers are taking completely opposite sides. Sides ready to shoot at one another. To kill. Both believe that they are in the right. Thus, Jovan Uzelac writes this to his brother Nikola Uzelac: "Your tanks are pouring shells on the positions of the defenders. I do not blame all of this just on you generals. I also condemn the majority of the leading so-called politicians, who are to blame for this situation.... You have been an evil instrument they have used," and so on.

When brother tells brother that he is an "instrument of evil," then there really is not much left of basic ethics and understanding.

Even though all of these public family letters were written from communities which are in the jurisdiction of authorities in Slovenia and Croatia, which are conducting a secessionist policy, and can be conceived as written under duress or out of a need to protect lives, there will still remain a deep trace of the times in which the determination of political fanatics has forced us to live.

The Balkan Farce

All the hopes placed on some kind of Yugoslav love of freedom and creation of a California after our own fashion, with more spirit, have become a great disappointment. The number of dead and wounded, the number betrayed and made unhappy is growing every day. What does it mean now to learn that this country has 1.6 million ethnically mixed marriages (most of all in Bosnia-Herzegovina, Croatia, Vojvodina, and Serbia), that 1.2 million people have declared their nationality to be Yugoslav; that there are numerous, several million, relationships such as godparenthood, friendships, and blood brotherhood across ethnic lines in this region?

What are you to do when a friend from your childhood, until yesterday a fervent Yugoslav, is today in the

National Guard Corps, is ready to use weapons against relatives of his mother, who is a Serb? And the relatives of his mother are to a man among the "Knin supporters" and there are real prospects of their meeting somewhere on the crags of Velebit, Promina, or some other mountain where these days people are once again leaving their bones in great numbers?

There are many similar examples.

We have seen with our own eyes that the guns of nationalists, chauvinists, pro-Communists, and neofascists, whether Croats or Serbs, kill with equal bestiality, and now that is enough. We truly live in times when no intelligence is a guarantee that things will follow a logical direction. On the contrary. The very fact that a people elected a particular political team in multiparty, free, and democratic elections does not give those who were elected the right to kill their voters.

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